

DETI Rural Proofing Template

Section A

Title of policy / decision to be rural proofed:

The Renewable Heat Incentive Schemes (Amendment) Regulations 2016

Brief description of policy / decision to be rural proofed:

The non-domestic Renewable Heat Incentive (RHI) was introduced in Northern Ireland in November 2012 and the domestic RHI followed in December 2014. These measures were designed to support the government's target of 10% of energy used for heating to come from renewable sources (from a 2010 baseline of 1.7%) in line with EU obligations and targets set in the Programme for Government and Strategic Energy Framework.

The schemes have been extremely successful and Northern Ireland is well on its way towards achieving 10% of heat from renewable sources by 2020. The interim target of 4% by the end of 2015 has been met and the current assessment is 6% of heat is from renewable technologies.

Cost control measures were recently introduced to the Non Domestic RHI Scheme in November 2015. These included tiered tariffs for biomass, a change in biomass banding, and an annual cap on heat payments. However, an unprecedented increase in applications in the run up to these changes together with reduced budgets arising from the Chancellor's November Spending Review Statement and confirmation that any funding in excess of 3% of the GB scheme must be met locally now means the RHI budget has been exhausted.

To avoid additional pressures on the Executive's budget the Minister decided to close both the domestic and non domestic schemes to new applicants on 29 February 2016.

Aims and objectives of the policy to be rural proofed:

Total expenditure for RHI in 2015/16 is now forecast to exceed the available budget. Meeting existing RHI commitments, let alone any new ones, will have a significant impact on the NI Executive's budget for the next 5 years.

Proposals

In the circumstances the only viable option is closure of the scheme to prevent further budgetary pressure. The Assembly has approved legislation to close both schemes to new applications and the schemes will close on 29 February 2016.

Section B

Policy Impact on Rural Communities

1. Are there any rural impacts of this policy?

Heat produced by renewable heat installations that have been incentivised through the commercial RHI is used for a wide variety of purposes. However, data relating to the Standard Industrial Classification codes of applications suggests that a large proportion of applications that have been received have been from industries commonly associated with rural areas,(in particular the poultry sector). Additionally, analysis of the geographical spread of applications suggests that most of the applications received are from installations at rural premises.

In relation to the domestic RHI, the main fuel displaced by the scheme has been oil. This may be an indication that households who do not have access to the gas grid have been more likely to avail of the scheme, which suggests that rural households are disproportionately advantaged by the domestic RHI. Any closure or suspension would therefore be likely to have a greater impact in rural areas.

2. Are there any potential indirect impacts?

There is limited information available to the Department on the geographical location of installers of RHI technologies; however, these businesses are potentially more likely to be based rurally and any closure or suspension could therefore have implications for employment. This issue is considered in more detail in the partial Regulatory Impact Assessment.

3. Are there potential local impacts that will differ from the regional impact?

The scheme is open to applications from all businesses and households from all areas in Northern Ireland. It is therefore unlikely that there are any specific local impacts different from the impact across Northern Ireland.

4. Is there a need for pre-consultation with rural stakeholders to get better insight into potential rural impacts?

The potential rural impacts are understood. However, this is a policy driven by the urgent need to manage pressures on budgets.

5. Is there a need for actions to mitigate the impacts of the policy in rural areas?

Scheme suspension enables review of existing arrangements to be carried out and proposal made for the future without the risk of further financial pressures arising from leaving the scheme open.

Section C

Evidential Requirements

1. Are the predicted impacts supported by evidence?

The predictions regarding the impacts are supported by data that the Department receives from Ofgem, who administer the scheme on behalf of the Department.

2. What types of evidence have you considered in your policy development?

The types of evidence considered have included:

- assessments of application numbers;
- estimated costs of payments to participants in the schemes; and
- budget available for administering the scheme

3. Are there any other areas of uncertainty, where further evidence would be useful?

The key area of uncertainty in relation to the RHI schemes is the estimated heat demands (and associated RHI payments) for non domestic installations not yet accredited. Only once all existing non domestic applications have been accredited and have started to receive payments can accurate expenditure forecasts be made.

4. Have any design features already been implemented as a result of the evidence obtained?

Scheme suspension will enable the Department to re-open the scheme at short notice should additional funding becoming available.

Section D

Formal Record of Rural Proofing Decision

Title of Proposed Policy / Decision being rural proofed

The Renewable Heat Incentive Schemes (Amendment) Regulations 2016

I can confirm that the proposed policy / decision has been rural proofed in full and that all issues raised have been considered prior to the implementation of the policy / decision

Rural proofing completed by (Staff Officer level or above) –

Name: Stuart Wightman

Grade: 7

Branch: Energy Efficiency

Date: 24 February 2016



Signature:

Rural proofing approved by (must be Grade 3 or above) –

Name: Chris Stewart

Grade: 3

Branch: Head of Policy Division

Date: 29 February 2016



Signature: