Francey, David

From: Nicola Dunne [NicolaD@gtenergy.net]
Sent: 10 July 2008 16:13
To: NIRO REFORM 2008
Subject: Geothermal Energy Ltd's response to the Preliminary Consultation on Proposed Reform of the Northern Ireland Renewables Obligation
Attachments: Policy Submission.pdf

Dear Malcolm,

Please find attached the response to the above consultation from Geothermal Energy Ltd.

If you have any queries or require anything further, please do not hesitate to contact me.

Kind regards,

Nicola

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Renewable Energy from the Earth

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Private & Confidential

Mr Malcolm McKernan
Sustainable Energy
Department of Enterprise, Trade and Investment
Netherleigh
Massey Avenue
BELFAST
BT4 2JP

10th July 2008

Dear Malcolm,

Re: Proposed Reform of the Northern Ireland Renewables Obligation

Geothermal Energy Limited wishes to thank the Department of Enterprise, Trade and Investment in Northern Ireland for the opportunity to respond to the Preliminary Consultation on the Proposed Reform of the Northern Ireland Renewables Obligation ("NIRO").

Introduction

To introduce ourselves, Geothermal Energy Ltd is the first and leading deep geothermal energy organisation on the island of Ireland. Established in early 2007, the company concentrates on the exploration, development and commercialisation of geothermal energy on sites throughout Ireland, the UK and further geographical regions. Geothermal Energy identified its first exploration area on the Dublin, Newcastle to Blackrock fault line. The inaugural exploration project commenced in late 2007 in Newcastle, Co Dublin and is due to complete in autumn 2008. Geothermal Energy have also identified and commenced exploration works on a number of potential sites throughout the island of Ireland.

Geothermal energy carries huge benefits such as a reduction in demand for fossil fuels, high efficiency with the potential to produce both electricity and heat energy, long-term sustainability and the production of practically zero greenhouse gases. There is potential for the exploitation of geothermal resources throughout the island and we believe that geothermal energy is the energy supply of the future.

Requirement for Renewable Energy Support

With turbulent oil prices, sustainability of supply difficulties and requirements to meet emissions targets such as the Kyoto Protocol, it is imperative that increased emphasis is placed on the development and production of renewable energy. Geothermal Energy applauds the initiative of the UK Government to encourage and promote energy companies to increase the amount of renewable energy they generate. As well as increasing security of supply, it will assist the UK to achieve their green house gas emissions targets.

It is important to encourage the development of emerging renewable energy technologies and Geothermal Energy believes that the Renewable Obligation Certificates (ROC) banding initiative of NIRO adds support and encouragement to those enterprises that are investing heavily in the research and development of new technologies.

Level of Obligation

Geothermal Energy believes that the level of obligation which is currently set at 6.3% in 2012 is too low. Based on current market conditions, there are economic and environmental benefits to be achieved through increasing this level significantly. The current market of rising gas and oil prices, continuous developments in renewable energy technologies making them increasingly affordable, and tough green house gas emissions targets should be strong enough reasons as to why this level should be raised to a minimum of 12%.

Banding

Geothermal Energy supports the banding proposals detailed by NIRO and fully agrees with the level of ROC support attributed to the emerging energy technologies.

Grandfathering

Geothermal Energy is in agreement in general with the grandfathering proposed by NIRO; however, we believe the repayment of grant aid as detailed at present in the Proposal is too general and needs to be revised. The repayment of grants could negatively impact on emerging renewable energy technologies in Northern Ireland.

Emerging renewable energy technology development is highly capital intensive and involves a high level of risk compared to developed technologies. The most cost effective and efficient methods of development are not involved in the development of the first production plants due to the learning curve effect. Grant aid is imperative to ensure continuous research and development of these renewable technologies, and grant aid is in effect development capital investment. Once in operation, these emerging technologies will continuously change and evolve until the most effective production method is achieved. The ROC system will allow for this continuous production development to ensure a sustainable, efficient and effective renewable energy technology for the future.

Geothermal Energy believe the repayment of grants or the reduction in ROC's if grants are not repaid, could heavily hinder the development and rollout of emerging renewable energy technologies in Northern Ireland.

Headroom

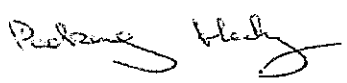
Geothermal Energy strongly supports the headroom principle to be employed and believe that 8% is a realistic level of headroom.

Further Debate

Geothermal Energy believes there is potential to debate further the development of the ROC principle to incorporate other renewable energies aside from electricity. It is possible to develop heat energy from renewable technologies for the use in district heating systems, which will result in a reduction in reliance on fossil fuels thus reducing greenhouse gas emissions and assisting in meeting Kyoto Protocol targets and also improving security of supply of future energy needs. We believe there is potential to apply the same ROC's per MWh to the heat energy produced from renewable sources and Geothermal Energy would welcome a further debate on this subject with the Department.

Geothermal Energy would like to thank you for the opportunity to contribute to this consultation process and look forward to the next stage.

Kind regards,



Padraig Hanly

Director