REALISING THE POTENTIAL

ANALYSIS OF THE RESPONSES

ANALYSIS OF RESPONSES TO THE CONSULTATIVE DOCUMENT ON RENEWABLE ENERGY IN NI "REALISING THE POTENTIAL"

Introduction

On 16 October 2001, Sir Reg Empey, Minister for Enterprise, Trade and Investment, issued an initial consultation paper on renewable energy - "Realising the Potential". The purpose of the consultation was to gather views on how Northern Ireland should bring renewable energy into the mainstream of the Province's electricity supply, as a means of increasing the diversity and security of our energy system and also contributing to UK commitments to generate 10.4% of electricity consumed from renewables by 2011.

Respondents

The period for responding to the consultation was extended to January 2002 to facilitate a number of representative bodies whose input had to be approved by their Managing Committees. A total of 745 copies of the paper were issued which resulted in 43 responses which can be categorised as follows:

Traditional Electricity Generators	3
Renewable Energy Electricity Generators	2
Supply/Systems Operation Companies	3
Environmental Groups	5
Professional Bodies	1
Representative Bodies	6
SMEs	4
Government Departments	4
Private Individuals	6
Others	9

A full list of the respondents is provided at Annex 1.

The purpose of this analysis and its linkage with other key energy consultations

The purpose of this analysis is to provide a distillation of the key themes of respondents' views. Where there was a range of views expressed across a broad spectrum, this analysis will provide information on the range, highlighting where possible the more commonly held views apparent within the range. The analysis does not attempt to reflect every view expressed but seeks to find consensus, whilst pointing out that other views were offered.

Since the issue of the renewables consultation paper the Assembly Committee for Enterprise, Trade and Investment has released an important report of its Inquiry on energy in Northern Ireland. Renewables features prominently in that report and it would be beneficial if this analysis was read in tandem with the Committee's energy inquiry report.

Additionally, DETI has recently issued a preliminary consultation on the development of an energy strategy for Northern Ireland. That document did not rehearse the renewables arguments previously raised but did ask that if there are additional costs involved in developing renewable generation who should pay? The views received on this important issue are also for convenience summarised in this analysis.

The views expressed in response to "Realising the Potential" and the preliminary energy strategy as well as the conclusions of the ETI Committee, in relation to renewables, will influence the development of a proposed renewables policy. This new and important way forward will be included in the final consultation of an energy strategy for Northern Ireland due to issue later this year. .

The main issues on which views were expressed

A. Potential for further penetration of renewables and Northern Ireland's contribution to the UK target (Section 3 in the consultation paper).

A1) **In the context of maximising the deployment of renewables, views were sought on**:

a) **any perceived grid control problems**;
b) **how these problems might be addressed; and**
c) **any cost implications for consumers in resolving grid control problems**.

Conclusion on views offered

There is general recognition that there will be a finite limit on the amount of non-firm electricity which can be safely accommodated on the public electricity system, (predictable renewables posed no problems). What that limit might be extended to, and how large volumes might be controlled, is not yet clear. Indeed due to the synchronous links with the South of Ireland, the limit and control issues should likely be addressed at an all-island level. The need to consider system security and spinning reserve was clearly understood as was the need to fully capture all costs associated with encouraging renewable energy in a transparent manner, so as to ensure that they are fully visible, recovered equitably and in a manner which neither offers developers the potential of windfall gains at the expense of consumers, nor stifles investment to settle below the level envisaged.

In terms of alleviating grid control issues, various mitigating actions were offered. These ranged from permitting only the use of the 33 kv network for non-firm renewables and incentivising distributors to accommodate developers, to ensuring that as a minimum the technical specification for turbines should

require state of the art control capabilities and a capacity for producing reactive power.

There was full appreciation of the need to develop a strategic locational plan for all forms of renewables which detailed the capacity, technology and grid/connection issues.

It was the issue of cost, and who should pay which produced the broadest range of diversity in responses. It was generally accepted that creating a more sustainable supply of electricity would increase costs in the short/medium term but also that a balance should be struck between those costs and the long-term security and environmental benefits which renewable energy offers. Consumer bodies voiced concern about the prospect of further increasing the cost of electricity to consumers. Industry and commerce highlighted the need to protect vulnerable businesses from further increases in operating costs, others suggested that the developers of renewable energy projects should exclusively carry attributable development costs. Developers considered that Government (and therefore ultimately the taxpayer) should carry the burden of costs associated with developing a sustainable energy system. Concern was also expressed that NIE could be prevented from investing in the adaptation necessary for the network to accommodate large amounts of non-firm power. The potential for “once and for all” capital grants to provide the necessary stimulus was recognised. However, there was generally a perception that Northern Ireland would not share significantly in any funds managed centrally as UK-wide funds and that competing pressures on locally controlled resources would prevent the provision of sufficient grant aid to encourage commercialisation at the rate necessary to meet demanding targets.

Overall, the majority of respondents viewed support for renewables as a relatively short-term commitment to obtain long-term benefit. Seen in this way, there was clearer support for placing the burden for such “investment” with the beneficiaries ie consumers supported by strategic intervention by Government. Indeed there was appreciation of a linkage between consumer driven support for renewables and the principle of the polluter pays.

What action is planned

The need to determine the extent to which renewables (particularly non-firm) can safely penetrate the electricity system is a clear priority.

DETI, DTI (London) and NIE (using receipts from renewable generators) have commissioned a network study from PB Power, an independent consultancy. The work of the review team is controlled by a project board, which is chaired by Professor Nick Jenkins (UMIST) and includes senior representatives of the Department, NIE and OFREG. The review team will report in June 2002 and their work will help determine renewable capability at local Council level, the specific technologies which can be supported by the resource available and the network issues raised (providing an indication of how these might be addressed and the likely cost involved).

This key document will help set our future renewables policy and targets and will feed information into the planning, forestry asset management and rural diversification decision processes, so far as renewables is concerned. In addition, the analysis will inform local debate on the opportunities which exist within each community to contribute to an overall Northern Ireland commitment to renewables.

The “safe working limit” issue has also been discussed at an all-island energy forum and the Regulators from both jurisdictions have sponsored a complementary study into the level of wind generation which can be accommodated on the joint electricity systems. This report is expected by late Summer.

The criteria being set for UK-wide grant schemes for renewables would appear in some respects to encourage projects of a nature and size which may not be sustainable in Northern Ireland. This would indeed prevent NI from taking part in such schemes and this has been made clear to both the sponsoring Departments and the New Opportunities Fund. The Department of Enterprise, Trade and Investment and Department of Agriculture and Rural Development

continue to actively engage with officials in GB Departments to determine the availability of assistance for renewables from centrally managed funds.

A2) **In view of the potential financial implications of any target, comments were invited on what consultees considered to be a sufficiently demanding yet achievable (by 2010) target for renewables and whether the target should be set in relation to consumption, capacity or peak demand**?

Conclusion on views offered

It is accepted that in the period up to 2010 wind energy will be the majority (perhaps 90%) renewable source of generation in Ireland. On this basis, using a load factor of .4, achieving 10% of consumption from renewables would require approx 320 MW of installed capacity. The majority view expressed was that NI should aim to match the 10% consumption target set for the UK. Many respondents thought that NI, as a region, should aim to exceed the 10% UK target but did not specify by how much. There was, however, a significant range of opinions from 3% to 20% of consumption by 2010.

The majority of respondents also considered consumption to represent the most appropriate basis for setting targets and monitoring performance.

What action is planned

The Network Study will inform decisions on setting a target which the Minister will determine during the Autumn.

A3) **Should the target proposed for 2010 be broken down into specific renewable energy technologies**.

Conclusion on views offered

Disaggregating an overall regional target into technology specific targets was clearly seen as a complex issue. A failure to focus on a broad mix of technologies would, it was suggested, delay input from immature sources and result in a policy which was simply a charter for onshore wind. Adopting a disaggregation approach could usefully shift the analysis away from the historical focus on the "lowest cost first" approach advanced under NFFO arrangements and purely market led selection.

Overall, there was no clear consensus regarding the merits of disaggregation. There was, however, recognition that the cost of less commercially mature renewable technologies needed to be borne in mind although not to the extent that no technology other than the cheapest in the short-term is encouraged. Banding targets (and by implication support), did not receive either strong or broad support though environmental and representative groups favoured banding and argued that less mature technologies would require enhanced early day support to come to the market. A combination of loan finance/grants was thought necessary to aid deployment of immature technologies and it could be argued that the more profitable renewable projects should contribute to the cost of developing the broadest possible mix of renewables in NI.

What action is planned

The views expressed will be taken into account whenever support mechanisms are being determined and targets set. The overall tenor of responses clearly indicated that a banded approach to support was not considered beneficial.

B. Potential benefits of a successful renewable energy industry in Northern Ireland (Section 4 in the consultation paper)

B1) How can the renewable energy industry in Northern Ireland be stimulated and expanded?

Conclusion on views offered

Respondents approached this issue from various perspectives and a clear consensus was difficult to identify – although all highlighted the importance of aggressively promoting renewable energy. There was a clear call for policy which embraced development of all relevant technologies not simply onshore wind even though in the short-term this will undoubtedly be the least cost and most abundant resource. There was some evidence of there being an unrealistic assessment of the potential of less mature technologies to contribute to the 2010 targets.

The need for clear targets in pursuit of a robust policy was seen as the primary means of stimulating the renewables industry. Many considered that a central office/body with a cross cutting remit to deal with issues of sustainability (including green energy) is necessary to ensure a co-ordinated effort and expedience in delivery. There was also strong support for bringing the development of a renewable industry within the remit of Invest Northern Ireland particularly as there is urgent need for support in relation to research and development, marketing and export development. The need for a strategic approach from the Planning Service was identified as being essential to help stimulate and encourage investment. Importantly respondents considered that the Planning Service should protect against “creeping” development of projects which have the potential to unnecessarily impact on the environment, use scarce land resources and result in further electricity network infrastructure support, whenever other less intrusive alternatives are available.

Soft support for renewables was considered necessary in many forms:

- Renewable Obligation and trading ROCs on a UK-wide basis or a similar mechanism which offers a larger trading market than Northern Ireland on a standalone basis;

- wider public sector obligation to purchase green electricity;

- oblige recipients of Government grants to be purchasers of green electricity;

- preferential trading arrangements and removal of market barriers to the free trade of green electricity; and

- a mechanism for enhancing investor confidence ie a form of guarantee in the absence of long-term contracts.

What action is planned

Determination in the Autumn of renewables policy, targets and the forms of support necessary will help provide stability and long-term confidence.

The rate of development necessary to meet demanding targets by 2010 will put significant pressures on the renewables industry as it gears up to put the capital infrastructure in place. Recognising the importance of a sharper focus on the needs of this sector, the Department has already opened discussions with DTI London to explore the mechanics of creating a UK wide trading system for green certificates which will crucially require the implementation of a compatible obligation.

This is, of course, a complex issue requiring detailed consideration of operational and financial issues in both NI and GB. In particular, and closely associated with these operational and financial issues, it will also require complex amendment to the GB Utilities Act and subordinate legislation in both

Scotland and England. It is not yet clear how achievable this objective might be in the preferred timescale so consideration is being given to the possibility of identifying any feasible alternatives.

The Regulator has recently issued proposals to alleviate barriers to the trading of green electricity which are currently being discussed with the industry.

B2) **How the potential economic development opportunities might be realised**.

Conclusion on views offered

Respondents generally covered this issue in their responses to the previous question. However, further views were expressed on the need to "piggyback" policy related to agricultural diversification and development of the rural community. Of particular interest was the potential for biomass to spearhead diversification and provide impetus for combined heat and power and the need for the farming community to find new points of exit for farm animal wastes in the face of stricter regulation.

Others held the view that energy policy should focus on the creation of a modern, economic energy system and should not favour or be influenced by community involvement. If, however, communities can see opportunity within the policy created they should be encouraged to take advantage.

Other aspects of economic opportunity included job creation in construction, provision of design and engineering services and technology transfer. The scope for reducing fuel importation was also recognised.

What action is being taken

DETI and DARD officials maintain close working relations to ensure policy development encourages the optimal involvement from all communities able to take advantage of the opportunities provided by renewable energy.

The two Departments are also considering how best to implement the Community Renewables Initiative in Northern Ireland and a DTI scoping study should commence shortly. DETI's Energy Demonstration Scheme actively encourages applications from developers whose projects are located in rural areas or areas of social need.

B3) **How the renewable industry in Northern Ireland might be served by a single representative body to advise Government, contribute to policy formulation and help develop implementation frameworks**.

Conclusion on views offered

There is strong support for the creation of a single representative body to interact with Government on the formulation of policy and also encourage the co-ordinated development of the industry.

The difficulties involved in constructing such a group was universally recognised. Some expressed views that current contact points were not sufficiently knowledgeable or had the credibility to influence policy whilst others pointed to the need for a "centre of excellence" to interact with industry, developers and key decision makers. Some also voiced concern over the number of small groups/offices with limited roles in this area and questioned the effectiveness of such an approach.

Those in favour of creating a single representative body also recognised the need to ensure it was well funded, with a clear remit and an executive role for promotion and awareness raising.

Further views were expressed on the need for such a body to be independent of Government and the Regulator.

What action is planned

The Department intends to consider the options for taking this issue forward. In doing so it will be necessary to be realistic in what can be expected from a representative body. It will also be necessary to ensure that any role undertaken by such a body is not duplicative and ensures 'value added' in the efforts to encourage renewables.

B4) **Have any barriers been identified which militate against the creation of an enlarged renewables industry**?

Conclusions on views offered

The main barriers identified included:

- absence of Government lead through setting a robust policy and demanding targets:

- public sector landowner not releasing land for the benefit of renewable projects;

- lack of investor opportunity in the rural community due to lack of strong returns from farming activity;

- the relatively isolated small-scale of NI market for electricity;

- lack of knowledge of where the opportunities exist for each technology;

- insufficient integration within Government in approaching the development of renewables.

There was firm support for the creation of a UK and Ireland market for renewables with actual or virtual trading of green electricity unencumbered throughout the Isles.

What action is planned

The Department is exploring, with DTI London, the opportunities for trading renewables on a UK-wide basis. Initial discussions with Department of Public Enterprise, Dublin have taken place to determine the scope for uniformity in approach between the jurisdictions. These are complex matters raising a range of operational, financial, transjurisdictional, legal and legislative issues.

Renewable energy opportunities which may be hosted on lands managed by the Forestry Service will be referred to DARD to assist in the formulation of forestry policy. The Network Study previously referred to will be a useful feed in to that work.

DARD is exploring with GB Departments the possibility of obtaining infrastructure funding to help encourage investment in energy technology.

C. **Possible support mechanisms for Renewable Energy (Section 5 in the consultation paper)**

C1) **The rationale for supporting the development of renewable energy electricity in Northern Ireland**.

The rationale offered in the consultation paper was summarised as follows:

- the potential contribution of renewable energy to diversity and security of energy supply;

- reduction of greenhouse gases;

- to accelerate the deployment and market competitiveness of renewable energies; and

- in terms of local economic development, the benefits, which a vibrant renewable energy industry could bring by the creation of new business, employment, technology, transfer and export sales.

Conclusion on views offered

No respondents offered views which disagreed with the rationale for support. Many, however, commented that the environmental benefits of renewable energy are often misunderstood or simply ignored and, therefore, are not rewarded within the structure of the current energy market. It was also suggested that the validity of the rationale could only be measured in terms of the benefit outweighing the cost – but no views were offered on how this might be evaluated.

What action is planned

The substantial endorsement of the rationale offered in the consultation paper is encouraging and will be taken into account whenever support mechanisms are being determined.

C2) **The need for and characteristics of support mechanisms.**

Conclusion on views offered

There was complete consensus on the need for support to achieve deployment of commercial projects and development of immature technologies which, although not yet commercial, offer considerable potential for the future. Respondents generally considered that support systems should:

- be simple in operation;

- dynamic and sufficiently flexible to respond to market conditions;

- provide investor confidence and help reduce the cost of capital;

- include marketing assistance;

- co-exist with support provided through local economic development initiatives;

- target immature technologies either through enhanced revenue support or capital grant; and

- offer opportunity to harness energy from waste.

There were no clear calls for mechanisms which formally band support.

What action is planned

The Network Study will help determine the best projects for renewable energy in NI by 2010 and support (where this is considered necessary) will be provided in a manner which extracts the maximum potential possible within cost constraints.

The policy and mechanisms for support will, where possible, reflect the need to enhance investor confidence and encourage the availability of affordable capital.

C3) **The extent to which support can and should facilitate community ownership/involvement.**

Conclusion on views offered

There was committed support for community involvement/ownership of renewable energy projects.

It was suggested that this would raise public awareness of sustainability issues, increase “buy in” to larger commercial developments and could be a useful approach in helping to alleviate fuel poverty.

A small number of respondents were strongly opposed to the creation of policy which favoured community involvement. These respondents highlight the complexity of projects, failed attempts in the past and the lack of business acumen, as reasons for not encouraging further community involvement.

Difficulties identified included:

- access to capital funding;
- access to technical/project expertise;
- lack of knowledge;
- poor trading conditions (top up and spill); and
- lack of clarity and consistency on connection charges.

What action is planned

The scope for encouraging community involvement in further renewables policy will be borne in mind wherever policy and support mechanisms are being determined.

Consideration will also be given to further focussing the programme of support available to small-scale projects within the current Energy Demonstration

Scheme on community projects. It is however disappointing that, to date, no applications have been received from such organisations despite the scheme actively encouraging community involvement.

C4) **An open market**

a) **Does an open market through direct sales offer potential to meet a 2010 target?**

Conclusion on views offered

Only one respondent considered that an open market, featuring direct sales, operating on a standalone basis would result in sufficient deployment to meet a significant target for 2010.

Other respondents emphasised the need for stability and investor confidence, neither of which were offered by the open market approach.

b) **Whether changes to legislation or regulation would enable an open market to operate more effectively as a support mechanism.**

Conclusion on views offered

No consensus emerged. Views ranged from implementing an Obligation to stimulate demand, to reducing the burden of Transmission and Distribution charges for small projects and priority dispatch for renewables. Generally the concept of an open market did not appear to be clearly understood and therefore not well supported.

c) **Are there barriers outside of legislation and regulations which prevent an open market from being effective?**

Conclusion on views offered

Few respondents offered views on this matter. A key theme of the small number of comments received was the need to enhance investor confidence through stability and a degree of certainty. The 'Obligation' route it was suggested could offer such stability coupled to amendment to rules related to Use of System Charges, Top up and Spill and metering. The need for local Council involvement in committing to local area targets was also highlighted.

What action is planned

It is clear from the views of respondents that caution is necessary when looking exclusively to the 'open market', to create the conditions for stimulating the rapid deployment of renewable technologies. The Regulator is in the process of agreeing changes to the trading market for renewables, which has the potential to deal effectively with the barriers identified in relation to Top up and Spill, and metering.

The Network System review will provide information on the opportunity for generating electricity from renewable energy at local Council level. This will be disaggregated from the overall contribution which Northern Ireland will make to UK commitments for renewable energy electricity.

C5) **Is there scope for the public sector to develop renewable energy projects within their areas of responsibility and if so what prevents these projects from being sponsored?**

Conclusions on views offered

It was considered that the public sector should lead by example by installing renewable technologies on suitable buildings under its control and using land assets to unlock potential particularly for wind and bio-energy systems. The considerable potential to extract energy from waste was also highlighted as a key pillar of future energy/waste management. A lack of funding and no clear lead from Government were cited as the main perceived barriers.

What action is planned

The views expressed will be taken into account whenever targets are being determined. Comments relevant to central Government estate will be referred to the Department of Finance and Personnel for information. The issue of energy from waste requires sensitive handling and any opportunity identified would need to comply with waste management strategy and EC requirements.

C6) **Non-Fossil Fuel Orders as a support for renewables**

a) **How effective have NFFOs been in achieving increases in the amount of electricity generated from renewable energy sources**? **and**

b) **Whether or not the associated costs were reasonable and sustainable**?

Conclusion on views offered

The overwhelming view was that, at the time when NFFO was introduced, it was an effective mechanism for stimulating the development of renewables.

It was, however, recognised that delivery of awarded NFFO projects was 'patchy', the regime inflexible and relatively costly for what was delivered. The major drawback of NFFO was the preference shown to least cost technologies. The contracted nature of NFFO was seen as being inappropriate within a liberalised, open market and therefore unsustainable.

c) **Whether suggested modifications to NFFO address known weaknesses (see paragraph 5.8 of the consultation paper); and**

d) **Whether modified NFFO arrangements are capable of delivering 45MW by 2005**.

Conclusion on views offered

Surprisingly, few respondents offered views on this issue. Opinion was split on the potential effectiveness of the suggested modifications although the novel nature of the suggested approach was generally seen as being risky and not guaranteed to alleviate the historical problems with NFFO.

Given those concerns, a number of respondents did however continue to identify with a stable, contracted approach to providing sufficient confidence for developers to invest sufficiently to meet the 45MW 2005 target.

What action is planned

The lack of consensus on the appropriateness of further NFFO within progressively liberalising markets and uncertainty over the modifications suggested, signal the need for a cautious approach.

However, the amount of additional investment required to achieve the 45MW target is relatively modest and should be achievable given favourable conditions.

If an Obligation emerges as the preferred route the legislative process is likely to take until 2004 to complete. Consideration could be given to the need for a short term, interim measure to encourage the commitment necessary to meet the 2005 targets although given the lack of consensus on either a further NFFO, or a modified NFFO, it is difficult to see what agreed form such an interim measure might take; and, in any case, it would also require appropriate legislation.

Overall, it is felt prudent to focus on 2010 as the first key milestone and plan accordingly. In this context, the case for developing specific short-term approaches which may not be relevant post 2004 is not compelling.

C7) **Renewable Obligation** (**RO**)

a) Comments were invited on the mechanics of a RO

b) Appropriateness of a RO for NI

c) Whether a RO would achieve a 45MW target by 2005

d) Whether or not NI should wait until post 2005 to introduce a RO

Conclusions on views offered

Overall, the majority of respondents were strongly supportive of an approach to developing renewables which centred on a supplier obligation. The strongest support was evident from electricity generators/suppliers and environmental protection groups.

Some respondents highlighted concern that a market driven Obligation would, in the context of the Northern Ireland energy market, favour only onshore wind to the detriment of immature technologies. There was also some concern that the relatively small size of the NI energy market militates against an Obligation, as it is insufficiently open and competitive to effectively host a RO.

It was considered that an Obligation possessed many strengths:

- dynamic, market driven and flexible;

- provides price leadership without being prescriptive;

- stimulates investor confidence (a pre-cursor to capital availability at affordable rates); and

- encourages generators to provide capacity (push) and suppliers to seek eligible 'green' electricity to fulfil the Obligation (pull), in a manner which can alleviate the potentially negative effect of an emerging market which does not favour long-term contracts.

Opinion was divided as to whether or not an Obligation could stimulate the development of renewable energy projects sufficiently quickly to meet the 45MW by 2005 target. A number of respondents considered that the time required to draft legislation, consult and clear the legislative procedures in NI and GB would result in the Obligation not 'going live' until 2004 at the earliest. Some argued for an interim measure of support, although equally strong concern was voiced over the prospect of a modified NFFO.

Opinion was again divided on whether NI should commit now to the implementation of an Obligation or wait until post 2005. The strongest body of opinion recognised the need to set policy and support mechanisms now which focus on 2010 (not 2005) thereby avoiding the creation of a vacuum which could suppress investor confidence.

What action is planned

The possibility of imposing a Renewables Obligation on suppliers in Northern Ireland (which enables the UK-wide trading of ROCs) is currently being investigated with the Department of Trade and Industry (London). The GB Utilities Act and the Obligation instruments in England/Wales and Scotland will require amendment. This is, therefore, a complex matter which is dependent upon agreed resolution of operational and financial issues and upon there being sufficient opportunity in legislative calendars.

C8) **Green Pricing** (Premium Tariffs)

Conclusions on views offered

There was no identifiable support for green pricing as a primary means of stimulating development of renewable energy projection even within a fully open market.

What action is planned

The Department is not intending to further encourage green pricing mechanisms, indeed they become redundant in a market which is hosting a supplier Obligation.

C9) **Renewable Energy Feed in Tariff** (REFIT)

Conclusion on views offered

There was a degree of support for REFIT although not from mainstream interests. Inflexibility was seen as the main drawback with reductions in costs/increases in efficiency not being passed through to consumers. Difficulty in administration was also highlighted.

Generally the views expressed against REFIT identified with potential tension between its operational aims and the objectives of a liberalised market.

What action is planned

The Department does not intend to consider REFIT as a support mechanism for renewables in NI.

C10) **Green Credits/Certificates**

Conclusion on views offered

The provision of a tradable 'green' certificate was supported by many respondents. The immediate creation of a UK-wide market for trading Renewable Obligation Certificates was seen as a priority as a European market was considered to be some way off.

Indeed a number of respondents considered that the supplier Obligation, which relies upon accreditation of generators/certification of origin, would fulfil many of the requirements of the EU Directive on promoting renewable energy electricity.

What action is planned

A UK-wide trading market for certificates issued in consequence of a RO to accredited generators (on the basis of output sold) will be sought immediately.

C11) **Alternative Energy Requirement** (AER)

Conclusion on views offered

Generally respondents identified similar problems with the AER as NI experienced with NFFO, even though the AER offered the potential of capital grants whereas NFFO recovered all costs from consumers.

It was thought that the AER would find it increasingly difficult to maintain a presence in a market driven, liberalised market and would not be effective in the longer-term.

What action is planned

The Department does not consider that an AER approach to the development of renewables would help fulfil emerging policy aims or specific targets at a level envisaged for 2010.

C12) **Secondary Support Mechanisms**

a) **Whether the renewables industry would be stimulated by a range of support mechanisms listed in the consultation paper**.

Only one response was received on this issue. The respondent drew attention to the need for some (non-specific) support for emerging technologies at pre-competitive stage.

b) **The accessibility of UK-wide R&D funds and their appropriateness as a means of addressing the specific characteristics and needs of the NI renewables industry**.

Conclusion on views offered

Generally respondents considered that centrally managed UK-wide funds would not be particularly accessible to NI project developers. Similarly it was the view that the criteria set for UK schemes often promoted projects of a size not sustainable in NI and inconsistent interpretation of objectives between GB Departments often excluded NI projects.

What action is planned

Officials from DETI and DARD have developed closer working relationships with officials in GB Departments and there is a growing appreciation of the need to ensure that renewables opportunities are encouraged to the fullest extent which is economically possible throughout the entire UK.

c) **The appropriateness of capital/revenue grant support as a means of encouraging renewables**.

Conclusion on views offered

It was generally recognised that electricity produced from renewable energy sources would enter the supply market at a higher per kWh price than fossil fuel (brown) generated electricity. Of course it was argued that the full cost to the environment of brown electricity should be internalised to ensure fair comparison.

Against this backdrop, it was considered that developing technologies will need support in the short-mid term to encourage development to the point where they become competitive. This was most notable in views offered on the opportunities available for rural and agricultural diversification and community owned projects.

Large scale projects which aim to supply electricity into the public network could maintain commerciality by operating within the revenue support provided within the structure of the current GB Renewables Obligation.

Smaller scale projects aimed at self/local consumption may need continued capital grant support although it was recognised that the real financial benefit in these projects lay in displacing the need for electricity sold at the full commercial/domestic tariff.

The need to increase confidence of commercial investors was considered an imperative as this would provide a private sector funding route for viable projects thereby reducing the need for grant support from public funds.

What action is planned

The Department recognises the benefits of the revenue support provided under an Obligation and will seek to ensure that the potential for such support is a feature of any support mechanisms implemented in Northern Ireland. It is important that potential projects are able to demonstrate baseline viability and that the provision of grant support is only available in cases where additional benefits are attainable ie increased size, efficiency, speed of development etc. It is equally important that private sector financing is not displaced. The Energy Demonstration Scheme will continue for 2 further years.

D. A Possible Way Forward

D1) **The need for a clear statement by the Executive on the importance it attaches to increased uptake of renewable energy**

Conclusion of views offered

The need for a clear statement was unanimously endorsed.

What action is planned

Sir Reg Empey has made clear his commitment to ensuring that renewable technologies are mainstreamed into the energy system of Northern Ireland and has indicated his desire to firm up on renewable policy and set 2010 targets in the Autumn.

The entire Assembly welcomed the important ETI Committee report on energy in which renewables featured prominently and also supported the drive to encourage rapid deployment of renewable energy projects.

D2) **How to encourage investor confidence**

Conclusion on views offered

Few respondents commented on this issue. The comments received highlighted known areas of importance ie stability, political support, facilitative planning regime, removal of trading barriers for green electricity and the reasonable prospect of profitable trade.

What action is planned

The need to develop and maintain investor confidence will be a key consideration in framing policy and support mechanisms.

D3) **Should an interim target of 65MW by 2005 be set**

Conclusion on views offered

There was some support for setting a target of around 65MW for 2005.

What action is planned

It is clear that long term stability and the framing of appropriate policy to achieve 2010 targets is considered of higher priority than focusing on short-term checkpoints.

The balance of opinion expressed in relation to support mechanisms favoured implementation of an Obligation along the lines of those operating in GB. This will require the taking of primary powers in the forthcoming NI Energy Bill and complex amendment to GB legislation. The legislative process is likely to take until 2004 to complete. It is also expected that adaptation of the electricity network will be required to facilitate significant amounts of non-firm renewable generated electricity.

The Department is confident that an enabling policy for renewables supported by robust targets and appropriate support mechanisms will, once in place, encourage very rapid deployment of sizeable projects. The primary focus, therefore, should remain on achieving 2010 targets.

Acknowledgement

The Department is grateful to those who took the time to respond to the consultation paper and offered views on how the potential of renewable energy can be realised in electricity generation in Northern Ireland.

Annex 1

LIST OF RESPONDENTS

1. The British Wind Energy
2. Ulster Angling Federation Ltd.
3. Department of Agriculture and Rural Development (1)
4. Northern Ireland Electricity
5. Department of Agriculture and Rural Development (2)
6. North Antrim Environmental Systems Ltd.
7. Ballymena Borough Council
8. Friends of the Earth
9. Friends of the Earth (Northern Ireland)
10. National Energy Action (Northern Ireland)
11. Dr Clare T Lukehurst
12. British Hydro Association
13. World Wildlife Fund
14. Biofuels Northern Ireland Ltd
15. Confederation of British Industry
16. Harland and Wolff
17. Airtricity
18. NHT Engineering
19. Northern Ireland Consumer Committee for Electricity
20. Mr Geoff Smyth
21. Frank Ferguson & Associates
22. The Energy Saving Trust
23. Rural Generation Ltd.
24. University of Ulster
25. Mayo Energy Agency Ltd
26. Royal Society for the Protection of Birds
27. NICERT
28. Kilroot Power Station
29. Mr Terry DeWinne
30. Belfast Energy Agency
31. WREAN
32. Department of Finance and Personnel
33. RICS Northern Ireland
34. Mr M H Alexander
35. Baronscourt Estate Office
36. Equality Commission
37. Committee for Enterprise, Trade and Investment
38. Commission for Electricity Regulation
39. Department for Social Development
40. B9 Energy
41. Training for Women Network Ltd
42. Mr John McKenna
43. Department of Finance and Personnel