COUNCIL FOR NATURE CONSERVATION AND THE COUNTRYSIDE

An Advisory Council to the Department of the Environment

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Via email

11 December 2009

Mr Malachy McKernan
Sustainable Energy Branch
Department of Enterprise, Trade and Investment
Netherleigh
Massey Avenue
Belfast
BT4 2JP

Dear Mr McKernan,

NORTHERN IRELAND RENEWABLES OBLIGATION:
CONSULTATION ON PROPOSED CHANGES

Thank you for the opportunity to respond to this consultation exercise. The Council for Nature Conservation and the Countryside is an independent statutory body established to advise Government on issues related to nature conservation and the countryside in Northern Ireland, and our brief comments reflect that remit and our lack of expertise in energy generation.

Council is by and large supportive of the proposals within the consultation document. We come from the perspective of wishing to see an increase in the development of renewable energy production within Northern Ireland, and welcome a strengthening of incentive schemes.

We are well aware of the inconsistencies between the incentive schemes either side of the land border with the Republic of Ireland, and the complexities that these may generate in the light of the single energy market. We also recognise that existing incentive conditions for micro- and small-scale generation in GB are more favourable than in Northern Ireland, and we would urge the development of enabling legislation and rapid introduction of feed-in tariffs that would simplify the market and encourage greater take-up of micro-generation opportunities.

The following are answers to specific questions within the consultation paper.

Q1. Do you agree that it is appropriate to extend the NIRO to 2033 pending the outcome of work currently being undertaken in relation to future renewables support mechanisms for NI?

CNCC welcomes the move by DETI to extend the lifetime of the NIRO to 2033. Long term policy stability is helpful for investors and companies with respect to their longer term business planning. However, given DECC consulted on extending the (GB) RO out to 2037, CNCC believes that to ensure greater integration and co-operation, the NIRO should match the GBRO and be extended to at least 2037 and preferably both should be extended to 2040.

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Q3. Do you agree that additional capacity or plant that is refurbished or replaced should be entitled to the full 20 years of support, regardless of when the original capacity started to receive support?

CNCC agree with this proposal

Q4. Do you agree that the 20% ceiling on the NIRO level should be removed and that no new level should be imposed?

CNCC agree with this proposal, in the interests of encouraging renewables.

Q13. Do you agree that *(sic)* the proposal to extend the measurement period for AD feedstock to 3 months rather than 1 month as at present?

CNCC agree with this proposal, as this is in line with industry common-sense.

Q14. Do you agree that we should not impose a restriction on the use of tallow in the NIRO until clarity of the new marketplace has been established?

No, CNCC does not agree with this proposal. CNCC believes the potential use of tallow should be primarily based upon the clear evidence of the sustainability of tallow rather than on clarity of the new marketplace and that there should be a restriction on the use of tallow in the NIRO unless there are assurances given and verification is provided that the tallow is sourced sustainably and from within the EU preferably.

Furthermore, in the case of bio-energy (biofuel for transport, biomass for electricity or biogas) CNCC considers only the options that are environmentally and socially sustainable should be promoted, through a standard & certification scheme. Non certified fuels should not be promoted. CNCC believes mandatory sustainability standards for all bio-energy applications are required and should not just be introduced for biofuels.

Q18. Do you believe a feed in tariff form of assistance should be introduced in Northern Ireland? Please provide an explanation for your view.

Definitely, yes. CNCC agrees that a feed-in tariff (FIT) form of assistance should be introduced in Northern Ireland, as it should be less bureaucratic and easier to understand, more flexible in application, and also more likely to be compatible with other systems within the single energy market. CNCC believes that DETI must account for policy development in both the Republic of Ireland and the UK, and further afield. For example, a major factor in the success of the renewable energy industry in Germany has been the policy of the German government in offering feed in tariffs. This approach has helped to make Germany a leader in renewable energy in Europe and globally.

Q19. If a FIT were to be introduced, should it apply to

d. microgenerators only (i.e. up to 50kW capacity)
e. small scale generators
f. other generators

CNCC believes that a FIT should certainly be applied to micro-generation in the short-term for the reasons stated above. DECC in the REFI consultation proposed limits of 5MW for renewable technologies and 50kW for gas-fired CHP for FITs. CNCC therefore suggests that the limits in Northern Ireland be set to match these same proposed limits that apply in GB.

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Q22. Does the support proposed in Table 3.1 represent an appropriate interim level for Northern Ireland in the event of a FIT being introduced in GB from 2010. Please explain fully.

Possibly. However, on the basis that, as outlined on page 24, NIROCs are currently worth approximately 5p per kWh there are some potential areas of discrepancy between the value to the producer of the NIROCs attributed for certain levels of renewable production as compared to the rates offered in the GB FIT scheme, where lower capacity levels are often awarded higher amounts within the range of tariffs. For example, the flat rate of an equivalent of 20p per kW (4 NIROCs) for wind power up to 250 kW compares badly with a potential rate of between 18 and 30.5 p per kW (likely to be available for small scale producers) under the terms of the GB FIT. The situation whereby there is a potential discrepancy between the proposed upper limit price paid for a technology under the terms of the GB FIT and the flat rate of the NIROC also applies in the case of wind power between 250kW and 5 MW, Hydro of 100kW to 5MW and PV from 50kW to 5MW. While the support for these renewable technologies is welcome, a potential difference between the GB FIT and NI ROC valuation is undesirable. In light of the single electricity market, the relevant tariffs in the Republic of Ireland also need to be considered when deciding appropriate support levels, though given the different rates in ROI, it is unlikely Northern Ireland will be able to settle on a tariff that fits exactly replication with support levels in both jurisdictions.

Q26. What do you think is the most appropriate way to support microgeneration in the longer term in Northern Ireland? Please give a rationale for your response.

A FIT system, for the reasons stated above.

Overall, there is considerable evidence suggesting that the RO is not necessarily the best mechanism to deliver cost-efficiency. Studies by Cambridge Econometrics and the Carbon Trust have shown that the UK's RO scheme is a relatively expensive and inefficient way to drive new renewables. As previously mentioned, other countries including Germany and Spain have opted for Feed In Tariff (FIT) type support schemes which have been very successful and fundamental in driving forward an increased level of energy production from large and small-scale renewables.

CNCC accepts that there is a fine balance between the two leading policy options - a continuation of the renewables obligation (RO) or a transition to FITs for large-scale renewables - which makes deciding which support mechanism to choose difficult. However, meeting the 2020 target is crucial to getting Northern Ireland on the right decarbonisation track, and CNCC find it compelling that the member states which have had more success in renewables deployment have a FIT type of support mechanism for large-scale renewables. Any feed-in tariff established will only be successful if the level of support to each specific technology band is pitched at the right level. Moreover, transitional arrangements to adapt the RO to either approach will need to be handled carefully so as not to damage investor confidence. This should entail guaranteed ongoing support for existing projects, and careful consideration of how to treat projects which are at various stages in planning and project design.

Significantly, in the 2007 leaked 'Options Paper' BERR stated "*the Renewables Obligation (with banding) will only achieve around 15% renewable electricity by 2020*" as opposed to the 30-35% or more renewable electricity required in the UK by 2020 as laid out in the 2008 RES consultation paper and the 40% target by 2020 proposed for Northern Ireland in the 2009 SEF. Further policies and support measures are urgently needed to bridge this gap in level of ambition.

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Q28 Do you believe that a wholesale price stabilisation mechanism would bring benefits to renewable generators by providing a predictable and adequate level of compensation?

No. If the government decides to stick with the RO as the main support mechanism for the delivery of large-scale renewables between now and 2020 and beyond, then no further changes beyond those which are the subject of the current consultation (banding, target increase and headroom) should be made. Continual changes, and loading further complexity to an existing policy framework, is not helpful for investors nor the renewables industry. In addition, the 'contracts for difference' referred to in this consultation already exist in the market on a voluntary basis anyway.

There is little evidence in the NIRO consultation and the previous DECC REFI consultation and supporting papers, that such a revenue stabilisation mechanism will make much difference. Besides, sorting out the grid access and planning delay barriers is far more important to the successful and swift delivery of large-scale renewables. In addition, it is anticipated that it will fall to the regulator to assess the competitive status of each given technology eligible under the RO and so, when a given technology is found to have become 'commercially competitive' the ROC level (band) it receives can be lowered. This is one means of preventing excessive profits being made by the generators without the need for the more complicated revenue stabilisation mechanism put forward by DECC in this consultation. It will, however, be vital to ensure that common sense is applied – healthy profits for the new and emerging renewable energy industry are vital, not least to stimulate rapid deployment and the growth of new green industries and export opportunities in the UK.

It seems clear that investors and the renewables industry alike will have more confidence in a particular market when that market is stable and the policy framework is simple and clear from the outset. If government's main aim is to regulate the level of revenues a particular industry receives then it could have introduced a FIT type of policy to support the deployment of large-scale renewables, instead of trying to belatedly constrain revenues via an obligation type market mechanism, the RO.

CNCC also has to challenge the assertion made on page 35 paragraph 5.4. that

"*renewable generation technologies are currently more expensive than competing technologies such as fossil fuel*"

This statement is inaccurate. Apart from the fact that the energy market is completely skewed by the enormous subsidies estimated to be in the order of $250 billion every year that the fossil fuel industry worldwide receives, compared to much smaller levels of subside for renewables, onshore wind power is competitive with the cheapest form of fossil fuel generation based on CCGTs and cheaper per kW than electricity from coal and oil.

Q29 Do you believe that a wholesale price stabilisation mechanism would bring benefits to customers? In particular, during periods of high fossil fuel prices, could it reduce any over compensation to generators? Would suppliers pass this on to customers?

CNCC does not believe a price stabilisation mechanism should be introduced.

Yours sincerely

Patrick Casement
Chairman