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UFU Response to NIRHI Consultation Submitted – 26 May 2020

Do you agree that the medium biomass tariffs should be amended to the levels recommended in the Cornwall Insight tariff review? If your answer to this question is no, please provide reasons and any evidence or information you believe is relevant.

UFU Answer - NO

To be blunt but to the point, the Ulster Farmers Union (UFU) are bewildered at the proposed Department for the Economy (DfE) uplift to the Northern Ireland Renewable Heat Incentive (NIRHI).

In the consultation, DfE are proposing a paltry tariff increase from 1.8p to 2.5p for 20-99kW boilers and a meagre 0.1p rise for 100-199kW connections. This was a meagre increase is of no benefit to beleaguered boiler owners and falls way short of we have called for when asking for a tariff structure which is reflective of the true costs associated with running a boiler. What is even more confusing is the fact that the recommendation comes on the back of the Cornwall Insight report which recognised a rise in fuel prices, boiler service and maintenance costs. Yet DfE have only increased one tariff by 0.7p and the other by 0.1p

UFU boiler operators invested in the RHI scheme in good faith, and our position remains unchanged, namely we want to see the full reinstatement of a tariff that is reflective of the true costs. Arlene Foster, when Energy Minister, provided cast iron guarantees that the rate was unalterable for 20 years and many of our members consequently on the back of this committed to massive loans and business contracts so as to incorporate these boilers into their businesses. With the tariffs and consequent returns slashed and loan commitments remaining, many boiler owners are making fruitless monthly repayments, but have to continue to meet them.

The Buglass report makes it clear the previous tariff changes have impacted the cash flow of participating businesses but then goes on to justify the reasoning behind the devastating reductions. This further highlights the constant frustrations the UFU have experienced since the beginning of this debacle. His report identifies a level of hardship created by the bungled decisions to slash RHI tariffs and the proposed paltry increases do not even touch the service when it comes to rectifying this.

The UFU are concerned by the DETI/DfE Civil Servants decisions on the NIRHI especially in the last 3 and half years and the impact this has had upon the renewable sector. Which is a contrast to the continued support for renewable heat in GB.

The heating of homes, businesses and industry is responsible for one third of the UK's greenhouse gas emissions, and the Government have identified the decarbonisation of heat as one of the biggest challenges we face in meeting our climate targets. Consequently, the Department for Business, Energy and Industry Strategy (BEIS) have launched a consultation on Future for Low Carbon Heat. BEIS are proposing amongst other things a Clean Heat Grant, which has pledged support for biomass in certain circumstances. Support will be offered via an upfront capital grant, to help address the barrier of upfront cost. This support for renewable heat in GB comes on the back of the announcement in the March 2020 budget, when the government announced the introduction of a flexible, third allocation of tariff guarantees on the non-domestic RHI.

Not only are renewable heat generators having their business models turned upside down, despite what DfE have stated previously, NI producers are clearly at a competitive disadvantage when compared to GB, especially when you consider this expansion of renewable heat use and acceptance of its role in the future. Meanwhile, policy

decisions in NI such as this proposal are continuing to damage the renewable heat sector. So much so that the UFU would envisage little or no support for any proposals which may arise from the DfE Call for Evidence for the future for Energy Strategy.

Our final concern relates to the future price of fossil fuels.

The UFU accepts that the Cornwall Insight Tariff review took place prior to the lockdown instigated by Government in reaction to the COVID-19 pandemic. However, the world has changed dramatically in the last 2 months. One-third of economy activity has disappeared and this has been reflected in oil usage, dropping from 100m barrels a day to 70m currently. Yet, oil production remained unchanged, creating a glut of product and this has meant crude prices drop to record lows. In recent weeks, crude oil prices have rebounded to c.£25/barrel with energy analysts saying that oil is unlikely to climb much higher. In fact, analysts are saying that it could take 3 years to shake off the excess oil production. Storage space for excess oil is almost full and the availability of cheap fossil fuels will influence boiler owners whose cash flows are under severe strain.

The Buglass report confirmed the UFU view to the Northern Ireland Affairs Committee in April 2019 that boiler owners are reverting to fossil fuels on the back of these devastating tariff cuts. This will gather pace in light of the new normal (for the next 3 years at least) of low fossil fuel prices and make a mockery of any drive to meet climate change targets in Northern Ireland.

In conclusion, the UFU would like to make a formal request for a meeting with the Economy Minister to discuss how we progress from here, especially in light of the developments of the last 10 weeks.