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Energy Branch
Department of Enterprise, Trade and Investment
Netherleigh
Massey Avenue
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Dear Sirs

Closure of NIRO to onshore wind 12 October 2015

Recently, we have only written to you with our concerns and complaints over your policies. Given the likely complaints or even legal threats you may get from our competitors in response to your onshore wind consultation – I felt I had better start our response positively: Well done for securing a better deal, for NI onshore wind developers, than DECC gave to the rest of the UK on the RO. However, having secured a relatively generous deal from DECC, it is now DETI's responsibility to develop and fund a devolved climate change energy strategy, using your allocated/devolved share of the UK's overall climate change budget.

Our views/challenges to your proposal can be summarised as:

1. **Has your proposal adequately considered security of supply ("keeping the lights on")?** We believe that wind, our only indigenous energy source, is central to NI's devolved energy plan.

2. **Have you taken into account all relevant economic factors in your decision?** We do not think the figures behind your proposal stack up and that your decision will be hugely costly for NI.

3. **Is your proposal discriminatory?** We believe it not only unfairly targets wind energy (investors) vis a vis other energy sources, but it is particularly prejudicial to small-scale turbine developers.

We think this is a massively important decision, with wide-ranging implications, that has been taken on the fly in response to DECC, and without due regard to what is best for NI.

Before covering the above in detail, I would first like to register my disappointment that you did not reply to the letter sent on GEINI's behalf by Mervyn McCall, our Chairman. As the last Chairman of the IoD, the founder of one of NI's largest companies (Mivan) and NI's current "angel investor of the year", his is a critically-important voice that you should listen to. However, given that your department's mandate is "Enterprise, Trade and Investment", we trust that you are fully cognisant of the impact that your proposed actions will have on NI's overall attractiveness to investors, in particular perceived political risk. Or perhaps, as GB has done on its nuclear programme, you expect to avail of UK government guarantees to protect investors who might take the risk on future investments into NI [energy]?

1. Security of Supply / NI Energy Strategy

Our summary response to your "policy" proposal to close the RO early for onshore wind is that it is politically and economically illiterate. Indeed, as onshore wind should be at the centre of it, we wonder if you have any energy strategy. For starters, how will you achieve security of supply? Action Renewables stated on last Sunday's Inside Business on Radio Ulster that 91% of our energy supplies are imported. With no NI offshore windfarm (due to late DETI policy making), poor solar irradiance, no waste-to-energy FIT with CfD, no FIT and no nuclear programme, how is your abandonment of our dominant indigenous energy supply going to ensure that the lights remain on and the wheels of industry continue to turn ? And how do we land the €2 billion of data centres which have said they may invest in Ireland, if we can guarantee them substantial new green energy supply? I hope that NI's energy security will not be built on the stuttering North-South and

Moyle interconnectors! And if NI's energy strategy is to rely on outside parties to produce our energy [from more expensive renewables, nuclear and thermal generators!], are you factoring in the cost of our energy [importation] infrastructure? (e.g. the cost of "burying the pylons" or funding DS3, which will proceed irrespective of what we do in NI, as RoI will plough on with its wind energy strategy).

As the instrument of a minister whose party includes climate change deniers, it does not surprise me that DETI is looking to shirk its environmental responsibilities. Even the US, China and India are about to introduce progressive emissions targets in Paris, while we close a successful renewables sector, with the loss of 5,000-10,000 jobs (according to Action Renewables). While you may favour fossil fuel generation (as a cheaper [?] resource - see below), DETI's lack of insight/foresight on European carbon policies is staggering. Do you really think Europe will make it financially viable for us to build future coal and gas generation?

2. Economic Case for Early Closure of the RO

The economics of your proposals are equally barmy. Last week, Bloomberg identified onshore wind as the UK's cheapest form of energy, some 25% cheaper than coal and gas. Given that "Northern Irish [wind] farms generate even more..." than their GB counterparts (DTI Sustainable Energy Programme, Wind Energy Fact Sheet 14), NI has competitive advantage in this viable energy resource – how can DETI not make it work?

Per Mervyn McCall's letter to you, we recognise that completing the NIRO would bring a short-term cost to consumers. You have identified this as £5 p.a. per consumer bill and £10,000 for a large user. This works out at way **less than a 1% increase in the average energy bill**. Further it is not clear to us whether this "price hike" incorporates the downward pressure on prices from additional generation supply, or factors in any of the long-term benefits (or "put option value") of reduced energy price volatility or overall energy security from having a substantial, controlled/free energy fuel (wind fuel is free, so we know the day ahead/hour ahead bid price of wind energy will be at or close to zero, whereas fossil fuels, at historic low costs currently, can probably only go up in cost, and are notoriously volatile and vulnerable to large geo-political risks – Saudi Arabia, Russia, Iran and Iraq being 4 of the top 5 global oil & gas producers).

With 783,000 domestic energy consumers in NI, 22 large or very large users, 60,000 small or very small, and 2,000 medium users, the additional **cost** to users for completing the NIRO appears to be around **£10m p.a.** (based on your £5 p.a. per consumer estimate). But has DETI looked at what might be gained by NI communities from building out the current onshore pipeline? Mark Ennis, on Inside Business, identified community **benefits** of **£3m p.a. from just 1 wind farm** that SSE will shelve due to your early closure of the NIRO. Scaling this estimate up, for all large windfarms likely to lose out on the RO from your proposal, would lose NI **£20m+ p.a.** of community gains.

And what of the costs to employees, investors (almost all of whom are local on small wind), landowners, lost taxes on profits, etc. from DETI reneging on its part of the RO investment programme? If 500 leased single turbine sites are scrapped as a result of your early RO closure, that alone would cost farmers **£6m - £8m p.a.** in lost rent (let alone their investment returns, which would likely be spent locally); planned large windfarms (which are now to be scrapped) would probably contribute a similar rental (although this may be included in Mark Ennis' benefits estimate, above). Business rates have recently risen to around half the rent on their turbine sites, so early RO closure would cost NI **£3m - £4m p.a.** on 500 scrapped single turbine sites (ditto for large windfarms). And, if the lower end of Action Renewables' predicted employment loss occurs, salaries lost to NI would be **more than £100m p.a.** While this estimate might look high, we can confirm that the local labour element of grid, foundations, access and erection construction, and electrical work and commissioning on 500 single turbines would, alone, amount to nearly **£100m**. Clearly, the economics of your plan do not stack up.

3. Treatment of small scale wind and investors in general

If, notwithstanding these compelling arguments for sticking to your announced RO policy, you cannot find the necessary leadership to back up your beliefs (18 June, Jonathan Bell statement), we would appeal for a more sophisticated treatment of the onshore wind market. The above, basic economics, show that "big wind"

has a long-term future in NI, even without subsidy – it will just have to pay lower rents, and hence rates, and lower community benefits (all of which "subsidies", in any case, are just recycled within NI!). Indeed, 2 of NI's largest windfarm developers have advised us that they are already reviewing plans for a "no-subsidy" NI market. Single turbine developers and farmers, on the other hand – the most vulnerable/least sophisticated wind investors, whose investments are not diversified across multiple projects, international markets or technologies – will be permanently wiped out if you proceed to close the RO early. Does DETI feel no responsibility to them? If you have encouraged these "retail investors" with misleading investment inducements, including the Minister's recent statement, is DETI behaving any better than the banks that mis-sold PPI?

We understand there will be a new Strategic Energy Framework early next year. Setting out a clear strategy would be very helpful, but only if the consequent policies are reliable. Hopefully, you will commit to renewable tariff support, like much of the rest of the world; even the "anti-wind" Tories will have a FIT for small-scale onshore wind in GB, unlike the "pro-wind" Jonathan Bell (despite NI having the UK's best wind market!). However, without a commitment now to a future tariff for wind, DETI is leaving workers and backers of this industry in the dark. This is a poor treatment of the stakeholders; even if, in a year, you decide to reinstate renewable subsidies - and wind energy stakeholders don't currently believe you will - the stop-start nature of such policy-making would show a naivety over how business investments are made; it takes many months, even years, to develop business plans and assure investors, such as Mervyn McCall, that government's stated policies can be trusted.

Northern Ireland has made too many broken promises. As a country seeking to build its private sector and attract investment, DETI must stick to its promises and complete the NIRO programme.

Matt O'Kane