

From the Office of the Minister



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Room 424  
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Dear Alban

## **STRATEGIC ENERGY FRAMEWORK FOR NORTHERN IRELAND 2010**

The purpose of this note is to update the ETI Committee on the Strategic Energy Framework for Northern Ireland (SEF 2010).

### **Background**

- 2 As you know, in light of the changing world focus on tackling climate change as well as the need to address concerns around security of energy supply and wider economic development, my Department has been developing a new energy framework for Northern Ireland (SEF 2010).
- 3 DETI's aim is to achieve a competitive, sustainable, long-term future for energy in Northern Ireland. We face many challenges in creating a sustainable energy infrastructure that will support economic growth and provide for reliable and competitive energy for Northern Ireland. While fossil fuels continue to dominate local power production and transport, Northern Ireland will continue to suffer from the volatility of worldwide shifts in the cost of oil, gas and coal.

### **Consultation**

- 4 I first wrote to you about this issue in November 2008 when I was about to launch a scoping consultation of the draft SEF in order to engage key energy stakeholders and to garner their views on Northern Ireland's energy future. In February 2009 my officials also briefed the Committee on the findings of that consultation. Since then, a draft SEF was developed for public consultation and was shaped by feedback from the scoping exercise which also included initial Departmental responses. The full public consultation closed on 30 September 2009 and received some 70 replies, including a number of detailed responses. I am aware that my officials briefed your Committee in January around the key messages that emanated from the consultation process. These included:

- (i) support for the four key energy goals of competitiveness; security of supply; sustainability and infrastructure;
- (ii) substantial backing for the Single Electricity Market and recognition that it had delivered real competition and benefits to customers;
- (iii) overwhelming support for the 40% renewable electricity target; and
- (iv) support for extending the gas network where deemed feasible to do so and for maximising the gas infrastructure already in place.

#### 4 Key Goals

- 5 SEF 2010 details Northern Ireland's energy future over the next ten years or so and illustrates the key energy goals in terms of competitiveness, security of energy supply, sustainability, and infrastructure. To realise these goals for the benefits of Northern Ireland industry and businesses and for the protection of all energy consumers, will require collaboration across all departments.
- 6 Energy will become increasingly expensive as fossil fuel resources decline, along with increased costs from EU and UK requirements associated with policies to limit climate change. Yet competitiveness can be improved through significant investment in energy efficiency measures and demand side management technologies. Therefore energy efficiency must remain a key goal for Northern Ireland going forward and in DETI's view must be the linchpin of our strategic direction over the next 10 year period. In terms of increasing security of energy supply, DETI supports, for example, collaboration with neighbouring jurisdictions to promote and enhance regional energy infrastructure and security of supply. It is also working with the Utility Regulator and with NIE to strengthen the electricity grid to address current areas of weakness in the grid and to absorb a much greater level of renewable generation in accordance with EU and UK government targets.
- 7 The Department is committed to developing and ensuring a more sustainable energy supply. DETI will seek to achieve energy efficiency goals as well as to increase the amount of energy we use from renewable sources at an ambitious rate. It is vital that Government sends clear and timely signals that will encourage increased levels of renewable power generation and the provision of the associated new infrastructure which is necessary to improve security and diversity of energy supply, and support economic activity. All across the EU, investment in energy infrastructure is the top priority. The UK is investing some £4.5 billion upgrading the grid for 2020, and EirGrid has proposed €4 billion network investment in RoI to 2025. In addition, DETI is committed to considering the technical and economic issues around extending the gas network outside the existing licensed area and to working with the Strategic Investment Board (SIB), to seek to maximise opportunities for ISNI expenditure on energy infrastructure projects.

## **A New Renewables Target**

- 8 In terms of renewable electricity, the current target is 12% generation and consumption of electricity from renewable sources by 2012. In order to incentivise production of renewable electricity and to help meet EU targets and other policy goals (i.e. security of supply, costs, economic benefits and climate change), SEF 2010 confirms a new renewable electricity target of 40% by 2020. The impact on the average household bill of a 40% target could be in the region of £49 - £83 pa, assuming grid investment of around £1 billion.
- 9 I recognise that the impact of investing now to secure a reliable, sustainable energy future for Northern Ireland will be significant, but if we do not set out a clear vision for the next decade and beyond, consumers here could end up paying even more in the end.
- 10 If Northern Ireland is to ensure that renewable energy plays a part in securing Northern Ireland's energy supply, then we must ensure a more holistic and cohesive approach to energy matters. The establishment of the DETI-led Sustainable Energy IDWG in November 2008, provided a clear message to stakeholders (industry, energy consumers, environmental groups) that the Executive recognises the opportunities and challenges presented by sustainable energy. A key objective for this Group will be developing a strategic and co-ordinated response to the opportunities and challenges presented by maximising the use of renewable energy in Northern Ireland's energy mix and ensuring that our future energy supply is as sustainable as possible. The Group is looking specifically at energy efficiency co-ordination and opportunities to develop renewable energy enterprise and green jobs.

## **Executive Approval**

- 11 As SEF 2010 has a number of cross-cutting issues, it comes within para 2.4 of the Ministerial Code, and I will be submitting a paper to the Executive for consideration in early July.

## **Further Information**

- 12 I hope you find this material useful and if the ETI Committee has any further questions DETI officials are available to respond.



**ARLENE FOSTER MLA**  
Minister of Enterprise, Trade and Investment