



Northern Ireland
Assembly

**COMMITTEE FOR
ENTERPRISE, TRADE AND
INVESTMENT**

**OFFICIAL REPORT
(Hansard)**

**Renewable Energy Inquiry: Invest
Northern Ireland**

11 November 2010

NORTHERN IRELAND ASSEMBLY

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INVESTMENT**

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Members present for all or part of the proceedings:

Mr Alban Maginness (Chairperson)

Mr Paul Frew

Mr Paul Givan

Mr William Irwin

Ms Jennifer McCann

Dr Alasdair McDonnell

Mrs Claire McGill

Witnesses:

Ms Olive Hill) Invest Northern Ireland

Mr Nigel McClelland)

The Chairperson (Mr A Maginness):

Briefing the Committee today are Olive Hill and Nigel McClelland of Invest Northern Ireland.

You are very welcome to our inquiry. We are very pleased that you could come.

Ms Olive Hill (Invest Northern Ireland):

Good morning. Thank you for asking us to come along. I will spend a few minutes taking the Committee through what we are trying to do with renewables.

Invest NI is very focused on the renewables sector, primarily because of the economic benefits

that we can see. We have been proactive in the sector for around 18 months. Prior to that, we tended to deal with the sector through our normal approach to sectors, but, 18 months ago, we undertook a substantial piece of work to assess what strengths Northern Ireland had, where we should position ourselves and where our capability was in developing the sector.

We welcome the strategic energy framework. It is very important that investors can see that government has set clear targets in this area. It sends out a robust message that there are opportunities. For example, if 40% of electricity is to be generated from renewables, that will lead to a requirement for products and services and it immediately makes Northern Ireland an attractive investment opportunity both for foreign direct investment and indigenous businesses that see a tangible opportunity that they can deliver.

A lot of those technologies are evolving, so we have an opportunity to work closely with the universities to evolve more R&D in the sector. The most substantial opportunity that we see from our company perspective is around the supply chain that will come with renewables. There is an opportunity for even some of our very small indigenous companies to feed into the renewables supply chain.

Our core driver in renewables is the economic benefits. The global opportunity — not just what the Executive have agreed as targets for Northern Ireland — is huge. I know that the Committee has had a number of reports that highlight that. That opportunity is huge and long term, so those jobs are sustainable. They will not last for three or four years and go away. The global opportunity is such that they are sustainable jobs that tend to generate higher-than-average salaries, primarily because of the technology base that surrounds the jobs, all of which sits very well with what Invest NI is trying to do.

The Committee asked for our views on renewables obligation certificate (ROC) incentive measures. The feedback from businesses still varies on that. Our engagement with investors shows that the key factors are consistency and longevity. At a conference last week in Glasgow, the marine sector stated that ROCs are working and are accepted and that the last thing they want is changes to be made in that market because that would cause a lot of uncertainty for investors. The key issue for us when we compete for investment is that incentives are equitable when compared with those of our nearest counterparts and what is happening in Europe.

Of the areas where we think that Northern Ireland can play a role, there will be some in which there really is not much incentive to do so. We would be less focused or concentrated on what happens with those. The key areas that we have worked on have evolved from where we feel our natural resources are, where we see the scale of the opportunity, where we see our research capabilities and where our manufacturing base has capability. Based on that, we have strategically focused on four key areas, which are quite large areas in their own right. Our challenge is to get access to the niche opportunities beneath them. Offshore energy, bioenergy, integrated buildings and energy storage are, for a variety of reasons, the key areas where Northern Ireland is very well placed. Our natural offshore tidal energy resource is recognised as being the best in Europe, if not further afield. That makes us attractive from an investment point of view, given the number of subsidiary products and services that flow from it. In bioenergy, we have moved a number of our traditional engineering companies into the renewables sector by concentrating on the manufacture of biomass equipment and plant. We have taken a different approach in each of those four areas, but there are clear opportunities for different reasons and different characteristics.

You asked us specifically to outline the barriers and challenges. We are active in this arena from an investment point of view. There are a number of key things that I want to focus on. I included a picture of Belfast port in our submission to emphasise that infrastructure is key. From my perspective, much broader involvement is required, and not just from Invest NI. On the offshore side in particular, there are huge land requirements, such as deep water access and heavy-loading quays. Northern Ireland is very well placed in that regard, not just at Belfast but at Londonderry port, particularly given our UK competition. We have also looked at the ports at Kilroot and Warrenpoint. That is a huge selling feature for us, which we should not underestimate. A lot of big projects cannot go ahead without that infrastructure, and Northern Ireland already has a lot of that infrastructure in place.

Other consultees have flagged up the challenge of joined-up government and investors' perception of our approach. The work that Minister Foster has done with the interdepartmental working group has helped hugely in that regard. One of the first outputs of that working group was a piece of scoping work that showed the breadth of work on renewables that is happening across all Departments. A lot is happening, and that particular group has really helped to get the joined-up approach across. Interestingly, from an Invest NI point of view, when we have investors over to talk about projects, many of which are five or six years away, that is the first

thing that they ask about. They want to know whether they will get a joined-up approach from government if they come here and whether they will get a surety that the land will be available, that they will be able to do their projects and that the Environment Agency will work with them. They are not asking for clean sheets; they just want to know that everybody will work in tandem. A lot has happened there, and we are very happy with the progress, but a lot more can be done. Although we do not necessarily need to replicate everything that our nearest neighbours are doing, the most obvious example is that of Scotland, where the Scottish Executive, from Alex Salmond down, continually put renewables to the forefront of practically every speech and agenda item that they deal with.

There is no question that our research is world-leading. We have done a lot of work to try to assess that. The big challenge for us is to make sure that that research benefits Northern Ireland and does not just go offshore. Engineers from Queen's University and other parts of Northern Ireland have been involved in practically all the marine devices that are in the water around Scotland or Scandinavia. We want to make better use of that resource. We already have a small but strong base operating in the sector, and we are trying to enhance the capability of those operators by getting them to work in collaborative networks. For example, Siemens were with us a few months ago trying to build a supply chain. However, their cut-off was that they did not want to talk to anyone with a turnover of less than £10 million. The number of companies of that scale in Northern Ireland is limited, but getting them to pull together and form entities has resulted in some successes in having contracts awarded.

I have included in our papers some idea of the targets that have been set. We set challenging targets from a very low base. All those targets have been achieved, but, from my perspective, the key outputs have been that, from a base of no enquiries from a foreign direct investment point of view, we have now had over 40. That means that international companies see Northern Ireland, primarily because of its research and its natural resources, as a place that they should be looking at for renewables.

On the research and development side, from a very low base, we are getting projects through and are starting to see that being embedded in our companies. The key to research is to get the universities and colleges working together around renewables. We are working on a proposition at the moment, which is led by Queen's University, on an innovation hub and competence centre for renewables. We think that that will send a broad message out about Northern Ireland and our

success in research.

We have a lot more to do, but we are very focused on and proactive in the sector. A great opportunity may come up through the round 3 Crown Estate licences and the Northern Ireland licences. We are keen to get a large infrastructure project, because we feel that that would generate a hub. As recently as yesterday, our Minister was involved with discussions in another investment project. The challenge for us in Invest NI in our public service agreement (PSA) targets and corporate plan is that we tend to work in three-year cycles. Renewables is a harder nut to crack as the projects take between five and seven years. For example, the general consensus is that there is unlikely to be any generation from marine devices until 2020. If we roll that back into a proposition coming to Invest NI, we can see that competition for funds is a challenge. However, there is great optimism around the sector. We feel that there are great opportunities there, and we are keen to keep driving forward and delivering.

The Chairperson:

Thank you, Ms Hill. That was very interesting. I just want to make sure that I understand fully what you are saying. Effectively, Invest Northern Ireland is saying that renewables is a discrete sector and that it is going to work through that discrete sector. One of your criteria in assessing companies is whether they can export. Are you saying that the renewables sector is a very important and new sector that you can get stuck into and can try to build up, ultimately, to start exporting but that it also has the capacity to attract foreign direct investment, to create jobs and to create wealth in the community?

Ms Hill:

Yes, that is what I am saying. The uniqueness of the sector is a challenge in that it draws in companies from every other sector, such as McLaughlin and Harvey, for example. That company is very active and successful in the deployment of renewable projects. It is a construction company, not necessarily a renewables company, but the breadth of the sector is the challenge. The opportunity makes it worthwhile for us to focus on it.

The Chairperson:

In my view, the sector breaks up into three areas: research and development for the new renewable energy technologies; the manufacture or production of generation equipment, such as plant and machinery, turbines and so on; and the generation of energy from different sources.

Are you concentrating on the first two areas? If you are, I would understand that, as the third area is the actual generation of renewable energy.

Ms Hill:

Our focus would be on the first two areas, although we provide a lot of technical advice and support on the generation aspects as well, because, if people can develop things in the local market that will help the strategic energy framework, they will, hopefully, develop a product or service that can then feed into export arrangements.

The Chairperson:

What level is foreign direct investment at here? Do we have any such investment in the renewables sector?

Ms Hill:

Are you asking about volume?

The Chairperson:

Yes. It would be good if you could quantify it.

Ms Hill:

In 2009-2010, we had 43 enquiries from around 30 foreign direct investors. Our figures for 2010-11 are not available yet, but that number has certainly escalated.

The Chairperson:

Have they actually invested money?

Ms Hill:

No.

The Chairperson:

They have not invested money.

Ms Hill:

No; this is purely about prospecting at this stage.

The Chairperson:

So, they are not coming in and saying that they want to do this or that?

Ms Hill:

No. We are doing the work now on projects that will potentially bring investment in three to four years' time. It is all driven by government policy. Once the licence is out there, the developers start looking at where they are going to go and what infrastructure and so forth is in place to help them select the site.

The Chairperson:

What is the lead-in time, roughly?

Ms Hill:

If we are talking about the three Crown Estate licences in the Irish Sea, the last investors that we had in will probably invest in 2013-14 at the earliest, because it will be 2015-16 before generation begins.

Mr Givan:

Thank you for your presentation. You mentioned the R&D opportunities in the sector. I recently saw the wave and tidal system that Queen's University has. Do you see opportunities in that area? The turbine in Strangford is gathering electricity through that source, and there is tidal potential around the North coast. Have you had interest from people around those areas, and could you get investment there?

You mentioned the multi-agency approach and the fact that people want to know whether they can get land, planning and support from government. People have made the point that, in approaching government, they do not know which Department to go to and that they feel that there should be one specific focal point. Has that been your experience? Do you think that that is the case? Do you think that, if people come to government, they will get that support? If they come to Invest NI, will it be able to link with other Departments to pull the information together to help them? I am keen to know whether what we are being told is the reality from your perspective.

Ms Hill:

On your first point, there are great opportunities for marine energy, and that is driven by the fact that we are seen to have tidal resource. It would make sense for marine devices to be put in around the coast. Universities often say that their research is leading-edge, but Queen's University's marine research definitely is. There is not one marine proposition in Europe that some of our people are not involved in from a Northern Ireland perspective. The supply chain around that is what we are trying to work on. You are probably aware of the global maritime alliance that we have funded, which is a collaborative network that is trying to feed in to that supply chain to make sure that, if tidal devices come, we have a supply chain to back them up.

Mr Nigel McClelland (Invest Northern Ireland):

Tidal stream energy is much less mature than wind energy. The prospect of generating electricity from tidal streams is a lot further away. The industry is focused on the development of devices, both wave and tidal, to capture energy, and a lot of research is being carried out. We have supported companies through our funding of the Carbon Trust, which is one of the organisations advocating greater use of renewable energies. Through our funding, a number of local companies have been able to access R&D support.

Mr Irwin:

Invest NI mainly focuses its support on companies that export. Is it not possible to encourage companies in the renewable energy market to produce goods and services for Northern Ireland? Outwith renewable energy, I was at a meeting the other night where some businesspeople from small companies were quite critical of Invest NI. I support exports and companies that export, but some small companies in Northern Ireland feel that they cannot avail themselves of support from Invest NI.

Ms Hill:

Our export focus is driven by economic return. That has been the case with Invest Northern Ireland for a long time. I will give you an example from the renewables sector. We recently took a couple of our fairly small traditional engineering companies that do not export to look at some biomass boiler technology in Slovenia. They have now successfully bid to install a biomass boiler in Strabane, which will be the first such installation in Northern Ireland. Although that is not a direct export, we hope that, as a result of that experience, we can eventually get them into an export market. It is not that we are not assisting them but that we are assisting them in a slightly

different way. At the end of the day, the market opportunity will be outside Northern Ireland. If people can establish credibility and experience in Northern Ireland, that would translate across.

The Chairperson:

Are you telling companies that you will not assist them if they do not export?

Ms Hill:

We are keen to get them all embedded and involved in renewables.

The Chairperson:

You want to build that up and then, hopefully, they will begin to export.

Mr Irwin:

Are those companies aware of that?

Ms Hill:

Over the past year, we have had someone out on the road talking to those smaller companies. I think that renewables scares some companies, so we are telling them that the widget that they make for the engineering plant down the road is also useful in the renewables sector. We ask them to let us work with them to try to formulate those opportunities. The collaborative network is a key part of that, because the smaller companies can take the information back and feed off some of the bigger companies that have broader experience.

Mr Irwin:

It is important that that is the case.

Mr Frew:

Thank you for your presentation. You touched on engineering companies trying to grab some of the renewable energy market. I would like you to elaborate on that. I also want to ask about the potential for the construction industry to become involved in installations. The construction industry is on its knees at the minute, and it is not likely to recover anytime soon. Could it evolve to become part of the renewable energy market? It might not necessarily become involved in major installations for large companies, because those companies will do it all in-house, but it could become involved in installations for domestic properties, schools and hospitals. Could that

fill the void in the construction industry, and, if so, would it aid recovery in the short term or the long term?

Ms Hill:

The green new deal would be a great help to the construction sector, and I know that a business plan has been presented. Various Ministers are looking at how that could be funded. In the short term, there is an opportunity on the construction side that can be taken up relatively quickly. Again, we are saying that construction companies should look at the renewables sector, and that is starting to happen; mechanical and electrical engineers through to concrete companies are starting to play a role. For example, traditional precast concrete companies are getting involved in anaerobic digestion plants and so forth. It is about getting the opportunity out there and holding the hand of the company so that it can see the opportunity.

Mr McClelland:

Onshore wind farms with a combined capacity of 640 MW are already installed in Northern Ireland, mostly in the west of the Province. I believe that local contractors were used in the installation of those. In fact, last week, I spoke to the owner of a number of wind farms who assured me that the local supply chain was being used, which means companies providing concrete and stone and so on. A further 640 MW is in various stages of planning at present, so I expect that the installers, developers and utility companies that are building those wind farms will likewise use local companies in their supply chain. We have mentioned the likes of McLaughlin and Harvey, which is a local construction company that is already involved in the deployment of renewable energy and marine energy systems outside Northern Ireland. So, yes, there are good prospects for the construction industry.

Mr Frew:

I know that I am going across Departments here, but can you reassure us that you are minded to suggest that the Planning Service has the expertise at the moment to deal with the influx of planning applications that will come from renewable energy? Do you see signs of that, or are they struggling? Do they need more training or advice, or is the expertise there already?

Ms Hill:

Our experience has been that timescales were a real issue with renewables, and there has been an improvement there. However, we need to see more improvements, so, to go back to my original

point, if an investor comes here and Invest NI provides whatever support it can, we need to know that that project is going to happen. We need to see continuous improvement.

Nigel is probably better placed to comment on the skills base. I have not come across any issues with skills at an individual company level.

Mr McClelland:

Nor have I. My experience of Planning Service is that it is well equipped technically to deal with the issues involved.

The Chairperson:

Time is the problem rather than skills.

Ms Hill:

Yes, time is an issue, and that is to do with the processes that are involved. However, I know that Minister Foster and Minister Poots have had several conversations about that, and there is an emphasis on improving the situation.

The Chairperson:

We will be talking to officials from the Department of the Environment later this morning, which is fortuitous, and we will deal with that aspect with them.

Dr McDonnell:

I am sorry that I missed your presentation. What is your estimate of the full employment and turnover potential of renewable energy?

Ms Hill:

I know that you have had a lot of papers. The jobs estimate ranges from 400 to 24,000 jobs, but the different research papers indicate a huge variance in their estimate of potential. Nigel will comment on the most recent piece of work, which was done by the Department for Business, Innovation and Skills (BIS), formerly the Department for Business, Enterprise and Regulatory Reform (BERR). We went through it yesterday.

Mr McClelland:

The Department for Business, Innovation and Skills has undertaken fairly comprehensive surveys across the UK of the prospects of jobs, not just across the renewables sector, but what is called the low-carbon sector, which includes building and environmental technologies. That Department's translated figures as of 2008-09 indicate that there were an estimated 31,000 jobs in Northern Ireland across the low-carbon sector. In renewable energy in particular, the figures estimated that there were approximately 3,800 jobs. The projected growth rate as of March 2010 of 4.9% would take us to a total of 15,161 jobs in renewable energy by 2015-16. That is an increase of 3,784 over those intervening years.

Dr McDonnell:

Do you guys buy that?

Mr McClelland:

The Department has used a comprehensive methodology and included the supply chain across all the sectors. As Olive mentioned earlier, the renewable energy supply chain embraces companies that provide legal services through to engineering companies that provide products and services. It embraces a wide range of jobs.

Dr McDonnell:

Does Invest Northern Ireland accept that potential, or are you just observing that somebody has said that that potential is there?

Ms Hill:

It is a reasonable reflection of the potential, but I add the caveat that we have seen that the issue is increasingly about sustaining jobs. Whether construction or engineering concerns move into the sector, we need to do more work on the job creation aspect, and I would make that differential. However, I believe that the estimate of 15,000 jobs is a reasonable reflection.

Dr McDonnell:

That is formidable, compared with the potential of foreign direct investment to create jobs and potential. I wondered whether Invest Northern Ireland had set a high enough priority for that block of jobs.

Ms Hill:

The proposals will come in and will be assessed in the normal way. The change regarding renewables is that we have taken a much more proactive approach in getting them. The bulk of those 15,000 jobs will come from indigenous investment. Existing companies will move into renewables and will, hopefully, grow as a result.

The Chairperson:

That was a very interesting presentation. If any further questions arise, I am sure that you will be willing to answer them in writing. Thank you very much.