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Bill Paper

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RHI (Closure of the Non-Domestic Scheme) Bill: key considerations

Finance and Economics Research Team

This Bill Paper aims to support Northern Ireland Assembly scrutiny of the RHI (Closure of the Non-Domestic Scheme) Bill – as introduced into the Assembly by the Minister for the Economy on 6 October 2025. The Paper outlines essential context-setting information, along with key policy and "public purse" considerations, if the Bill is enacted as introduced.

Key Points

- On 6 October 2025, the Minister for the Economy introduced the RHI (Closure of Non-Domestic Scheme) Bill (the Bill) into the Northern Ireland Assembly (the Assembly); and now is at Committee Stage under Assembly Standing Orders.
- If enacted as introduced, this enabling legislation would empower the Department for the Economy (DfE) to make regulations that would allow DfE to: (i) “partially” or “completely” close the Non-Domestic Renewable Heat Incentive (RHI) Scheme; (ii) set out in regulation how such a the closure would be administered and financed; and (iii) set out how and in what form payments will be made to existing participants upon closure.
- The Bill is a consequence of the Office of Gas and Electricity Markets’ (Ofgem) notification to DfE that it would no longer administer the existing Non-Domestic RHI Scheme after 30 April 2026. It also seeks to partially fulfil a commitment made in New Decade, New Approach political agreement, dated January 2020.
- The Regulations that would close the existing Non-Domestic RHI Scheme would be subject to “draft affirmative resolution” under Northern Ireland Assembly Standing Orders. They would follow on from the ongoing DfE public consultation on said Regulations; launched on 29 September 2025, and to close on 24 November 2025.
- After that consultation, and prior to the end of the Committee Stage of this Bill, the DfE committed in October 2025 to advising the Committee for the Economy about the consultation findings and the Closure Regulations that would follow under this Bill, assuming it would be enacted as introduced.[1]
- The Bill’s accompanying Explanatory and Financial Memorandum stated no financial implications would arise from the enactment of this enabling legislation.

[1] Committee for the Economy proceedings on 8 October 2025.

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- Nonetheless, if the Bill would be enacted as introduced, and said Regulations subsequently would be enacted by draft affirmative resolution, the DfE estimates Non-Domestic RHI Closure Scheme payments paid to existing participants would total £196 million over ten years. It further estimates the administration of that Closure Scheme would total £17 million over ten years, which would allow for 18 Full Time Equivalent (FTE) staff to support and administer it. Broken down further, for 2026/27, the estimated administration cost would be £1.05 million.
- During a Committee for the Economy briefing on 8 October 2025), officials from the DfE noted that His Majesty's Treasury (HMT) had agreed to cover the £196 million Closure Scheme payments over ten years, and the £17 million administration costs over ten years, with Resource Departmental Expenditure Limit (DEL).
- The above, proposed costs should be considered within the constrained financial context in which the Bill has been introduced. All Executive departments have reported extreme budgetary pressures, constraints and competing priorities. Furthermore, the Executive is bound by commitments made under the Interim Fiscal Framework and the Budget Sustainability Plan to control spending and to address overspending.

Executive Summary

- If enacted by the Northern Ireland Assembly (the Assembly) as introduced, the RHI (Closure of Non-Domestic Scheme) Bill (the Bill) would empower the Department for the Economy (DfE) to make regulations to both: "partially" or "completely" close the Non-Domestic Renewable Heat Incentive (RHI) Scheme; and, specify how closure of that Scheme would be administered and financed, including provisions concerning payments to existing Non-Domestic RHI Scheme participants.
- This enabling legislation was introduced on 6 October 2025, and now is at Committee Stage under Assembly Standing Orders. The Bill is a consequence of Ofgem's notification that it would no longer administer the existing Non-Domestic RHI Scheme after 30 April 2026. Moreover, the Bill seeks to partially fulfil a commitment made in the New Decade, New Approach political agreement, dated January 2020.
- The Non-Domestic RHI Scheme Closure Regulations would be subject to draft affirmative resolution under Northern Ireland Assembly Standing Orders. The use of said procedure would determine the level of scrutiny that would be applied to said secondary legislation – that is, the Regulations would "…not be made unless and until [it would be] affirmed by a resolution of the Assembly".
- The Bill also would empower the DfE to alter the Closure Scheme, as well as the sums payable under it, until completely closed. It currently is unclear from the introduced Bill as to how the DfE would intend to use said power.
- In addition, the Bill would empower the DfE to include in regulations, subject to draft affirmative resolution, provision which would allow DfE to make payments - "one-off, periodical, or paid in the instalments" – to existing Non-Domestic RHI Scheme Participants. However, it should be noted that DfE officials advised the Committee for the Economy on 8 October 2025 that it has ruled out one-off payments, explaining such

payments would not provide "value for money[2]", nor encourage the use of renewable heat.

- The DfE advised the Committee for the Economy on 8 October 2025 that upon closure of the existing Non-Domestic RHI Scheme His Majesty's Treasury (HMT) would allow the DfE to use Resource Annual Managed Expenditure (AME) expenditure from its Budget, to fund such a new Scheme to support renewable heat. The DfE has not yet provided a date for the introduction of such a new Scheme.
- The ongoing DfE public consultation on the RHI Scheme Closure Regulations - launched on 29 September 2025 - will close on 24 November 2025. As stated on 8 October 2025, DfE officials advised the Committee for the Economy both consultation findings and the final Closure Scheme Regulations would be made available to it prior to the end of Committee Stage.
  Said consultation document set out DfE's preference to enable Scheme Closure using a regulatory approach. Some key potential scrutiny points arise from the approach DfE outlined in that document, including:
  - How would the specified historic heat output period – that is, 2017 to 2019 - compare to current output?
  - Approximately when would the DfE put in place a review procedure to examine and assess historic heat output?
  - What are DfE's plans to design such a review procedure? For example, would key stakeholders support DfE when designing such a procedure?; would they input when implementing it?, and if so, would that be envisioned?
  - Has the DfE considered alternative banding arrangements to that proposed in its public consultation document?
  - When would the DfE require participants to provide photographic evidence of installation and records of fuel purchases?
  - When would the DfE utilise the audit function?
  - When would the DfE tender for external inspectors?

[2] His Majesty's Treasury defines value for money as the best mix of quality and effectiveness for the least outlay over the of use of the goods or services bought. See: Value for Money Framework

    - When would the DfE produce Closure Scheme guidance?

- The Bill's accompanying Explanatory and Financial Memorandum stated no financial implications arising from this proposed enabling legislation.
- Nonetheless, the DfE advised at the Committee's 8 October 2025 meeting that the Scheme Closure Regulations would result in annual participant payments totalling £196 million over ten years. Moreover, it estimated administration of such a Closure Scheme would be £17 million for the same period. Historical data regarding Ofgem's administration of the Non-Domestic RHI Closure Scheme, shows that the annual cost of administration of the current Non-Domestic RHI Scheme by Ofgem since 2020 was £892,000 per year on average, as reported to RaISe by DfE in October 2025.
- Moreover, the DfE stated in information provided to RaISe and to a Committee for Finance member at the Committee's 8 October 2025 meeting,[3] that an estimated average annual cost of £1.4 million would be required to administer the Closure Scheme until it was completely closed via the Regulations. That cost primarily relates to the noted 18 FTE Staff.

[3] : AIMS Portal

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Introduction

The RHI (Closure of Non-Domestic Scheme) Bill (the Bill) was introduced into the Northern Ireland Assembly (the Assembly) by the Minister for the Economy on 6 October 2025. The Bill, if enacted as introduced, would empower the Department for the Economy (DfE) to make regulations that would close the Non-Domestic Renewable Heat Incentive (RHI) Scheme. It would also empower the DfE to make provision as to how the closure would be financed and administered, including provisions concerning payments to existing Non-Domestic RHI Scheme participants.

This Bill Paper - prepared by the Finance and Economics Team in the Research and Information Service (RaISe) - aims to support Assembly Members' scrutiny of the Bill, including that undertaken by Members in the Committee for the Economy. It outlines potential policy and "public purse[4]" considerations, if the Bill would be enacted as introduced.

The Paper draws on the Bill's accompanying Explanatory and Financial Memorandum (EFM) and other available information sources at time of writing. It is structured using the following section headings, with potential scrutiny points stated throughout:

1. Background to the introduced Bill
2. Introduced Bill – Policy changes
3. Consultation on the Non-Domestic RHI Scheme Closure Regulations
4. Potential key "public purse" considerations
5. Key takeaways.

Please note that this Bill Paper is not offered as legal advice or opinion; nor specialist accountancy advice or opinion; nor a substitute for either.

[4] Meaning, costs concerning public funds, that are raised through taxation and managed government departments, under HMT oversight. Managing_Public_Money.pdf

1 Background to the introduced Bill

The Bill was introduced in the Assembly by the Minister for the Economy (the Minister) on 6 October 2025. Explaining the Bill's underlying rationale during its Second Stage debate on 20 October 2025, the Minister stated:

> *The Bill is short and technical in nature and does not directly amend any aspect of the scheme. Rather, it will provide my Department with powers to make regulations that will formally close the scheme and establish a new framework for legacy payments.*[5]

The EFM accompanying the Bill further states the Bill was not subject to a public consultation prior to its introduction. It adds that any future Department for Economy (DfE) regulations that would be made under the Bill would be subject to consultation. An ongoing public consultation on DfE proposals for said Closure Regulations launched on 29 September 2025, with a closing date of 24 November 2025.[6]

For context to subsequent sections of this Paper, Table 1 below sets out a non-exhaustive timeline of the Non-Domestic Renewable Heat Incentive (RHI) Scheme, from inception to the introduction of this Bill:

[5] Northern Ireland Assembly Official Reports (20 October 2025)
[6] Department for the Economy Closure of the Northern Ireland Non-Domestic Renewable Heat Incentive Scheme | Department for the Economy (29 September 2025)

Table 1: Non-exhaustive Timeline of Non-Domestic RHI Scheme

Date	Event
18 October 2011	The Westminster Energy Act 2011 (the 2011 Act) received Royal Assent. Section 113 of the Act provided the then Department of Enterprise, Trade and Investment (DETI) with the power make regulations to establish a "scheme to facilitate and encourage renewable generation of heat in Northern Ireland". Such regulations were to be subject to draft Affirmative Procedure in the Assembly. Article 114 allowed the DETI and the Northern Ireland Utility Regulator to enter into arrangements with the Office of Gas and Electricity Markets (Ofgem) to administer such a scheme on behalf of those Northern Ireland authorities.
12 March 2012	The Northern Ireland Executive's Programme for Government 2011 to 2015 set out a target of achieving 4% renewable heat by 2015.
1 November 2012	The Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2012 (the 2012 Regulations) came into operation. This set out the terms of the Non-Domestic RHI scheme for Northern Ireland. It included accreditation procedures, eligibility criteria, tariffs, term lengths and the obligations of participants. The Scheme as introduced would pay approved installations a fixed amount for every kilowatt of renewable hear produced for a period of 20 years after accreditation. The Scheme was administered by Ofgem.
9 December 2014	The Domestic Renewable Heat Incentive Scheme Regulations (Northern Ireland) 2014 came into force. Those Regulations introduced a similar support scheme in the domestic sector. This provided successful applications with an upfront payment of up to £3,500, followed by seven annual payments of capped at £2,500.

Date	Event
1 April 2015	DETI was due to seek re-approval of the Scheme from the then Department of Finance and Personnel. The reapproval did not begin until May 2015.
18 November 2015	The Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2015 came into operation. Those Regulations introduced a second tier tariff to be applied once renewable heating installations have been used for 15% of the total hours in a year. This mirrored the approach utilised in the Great Britain Scheme since introduction. The intention of the two-tier approach was the initial higher rate would provided generators with a return on capital investment, while the lower second rate would minimise any incentive to generate unnecessary heat just to claim from the Scheme. In December 2016 the National Audit Office (NIAO) would find that “there was a very large spike in demand during the 10 week period between the announcement of the new arrangements on 8 September 2015 and their coming into operation”.
5 February 2016	The then Minister for Enterprise, Trade and Investment announced his intention to bring legislation to the Assembly to close the both the domestic and Non-Domestic RHI Schemes. The Minister also announced that DETI would carry out a “comprehensive review and audit” of the Schemes.
17 February 2016	The Renewable Heat Incentive Schemes (Amendment) Regulations (Northern Ireland) 2016 come into force. These Regulations empowered DETI to suspended both the domestic and Non-Domestic RHI Schemes by notice.
29 February 2016	The Domestic and Non-Domestic RHI Schemes were suspended, with effect from 23:59 on 29 February 2016. This closed the Schemes to new participants. Those already accredited under the Scheme would continue to receive payments.

Date	Event
6 December 2016	The NIAO published a report on the DETI Resource Accounts 2015-16. The report found that the Non-Domestic RHI Scheme incurred expenditure of £11.9 million “without the necessary approvals in place”. That spending was found to “irregular”. It highlighted general concerns “in relation to the operation of the Scheme and the circumstance surrounding the large increase in demand in October and November 2015”. Moreover, it found that the increased demand would lead to £140 million cost to the Northern Ireland block grant over five years, if action was not taken.
16 January 2017	Political disagreements and the resignation of the deputy First Minster led to the Secretary of State for Northern Ireland calling an election on 2 March 2017.
24 January 2017	A public inquiry into the RHI Scheme is announced. The stated purpose of that inquiry was to: *To investigate, inquire into and report on the Non-Domestic Renewable Heat Incentive Scheme (“the RHI scheme”). This will include its design, governance, implementation and operation, and efforts to control the costs of that scheme, from its inception in 2011 to the conclusion of the Inquiry.*
2 March 2017	Assembly elections take place, but an Executive is not formed.
1 April 2017	The Renewable Heat Incentive (Amendment) Regulations (Northern Ireland) 2017 (2017 Regulations) come into effect. This introduced cost control measures, including a two-tier tariff structure and an annual payment cap.
October 2017	A legal challenge to the DfE’s decision to reduce tariffs through the 2017 Regulation begins.
7 November 2017	The Public Inquiry into RHI Scheme begins.

Date	Event
21 December 2017	A High Court Judgement dismissed the legal challenge of October 2017. The Judgement was appealed.
14 June 2018	The DfE launch a consultation on the "Future of the Northern Ireland RHI Scheme". The consultation set out a range of potential tariff options for the Non-Domestic RHI Scheme. It also asked Respondents to consider a "compulsory buy-out" option. Whereby the Scheme would be closed the Scheme and participants would receive a one-off payment.
February 2018	Talks to restore the Executive and the Assembly begin.
1 November 2018	The Northern Ireland (Executive Formation and Exercise of Functions) Act 2018 extends the period for formation of an Executive following the March 2017 election, extending the date to 26 March 2019. This later is further extended to 21 October 2019.
6 March 2019	The Northern Ireland (Regional Rates and Energy) Act 2019 (the 2019 Act) is passed in the United Kingdom House of Parliament. The Act introduced tariffs rates previously proposed in the June 2018 Consultation. It also introduced provision for the DfE to prepare voluntary buy-out arrangements for 2019-20 and each of the two subsequent financial years.
6 March 2019	A legal challenge is launched over the Non-Domestic RHI Scheme payments set out in the 2019 Act.
15 March 2019	The Northern Ireland Affairs Committee (NIAC) launches an inquiry into the changes to RHI payments set out in the 2019 Act.
26 April 2019	Further political talks to restore the Executive and the Assembly begin.

Date	Event
30 June 2019	The NIAC published its report on its inquiry into the 2019 Act. The Committee requested that tariffs be reviewed again. It also made recommendations about the operation of the voluntary buy-out and a proposed Hardship Unit.
14 October 2019	DfE launched a call for applications for the 2019-20 voluntary buy-out arrangements.
8 January 2020	The New Decade, New Approach deal, which led to the restoration of the Executive and set out the priorities of the restored Executive, included a commitment that "RHI will be closed down and replaced by a scheme that effectively cuts carbon emissions".
11 January 2020	The restored Assembly sits.
13 March 2020	The Public Inquiry into the RHI Scheme publishes its report, concluding that the: *…vast majority of what went wrong was due to an accumulation and compounding of errors and omissions over time and a failure of attention, on the part of all those involved in their differing roles, to identify the existence, significance or implications of those errors and omissions.* The report set out 314 findings and made 44 recommendations to address deficiencies it had found. It recommended that the NIAO should have role in assessing progress towards implementing the report's recommendations.
28 April 2020	The DfE published and launched a consultation on the Cornwall Insight tariff review. The tariff review was instigated in response to the NIAC Inquiry Report (30 June 2019).

Date	Event
June 2020	The DfE entered into a formal legal mediation process with the Applicants in the 2017 and 2019 legal proceedings. Following a request from those Applicants, work to implement revised tariffs was suspended, pending the outcome of the mediation process.
July 2020	The Northern Ireland Executive established Sub-Committee on Reform meets for the first time. The Sub-Committee's role was to oversee the response by the government to the RHI Inquiry's findings and recommendations.
December 2020	The mediation process that had begun in June 2020 concluded.
11 February 2021	The DfE launches a public consultation on the future of the RHI Scheme. The preferred option set out in that consultation was to close the Scheme and pay compensation to legitimate participants. It was anticipated that compensation would be paid "in a single, upfront payment". The total cost of the preferred option at the time was estimated to be £68.4 million.
7 October 2021	The "Executive Response to the RHI Inquiry Report Recommendations and Action Plan" was published.
14 October 2021	The High Court rejects the legal challenge to the 2019 Act launched on 6 March 2019. The decision was appealed.
22 March 2022	The NIAO published its first report on the Northern Ireland Executive's progress towards the RHI Public Inquiry recommendations. It found that of the 44 recommendations, 18 had been implemented, and 14 were "likely to be implemented". A further 10 were highlighted because the NIAO concluded that the "planned actions" were "not likely to address the recommendation".
21 February 2023	The Court of Appeal dismissed appeals relating to the 2017 and 2019 legal proceedings.

Date	Event
20 November 2023	Ofgem provided the DfE with notice of its intention to terminate the arrangements made under section 114 of the Energy Act 2011, to administer the Non-Domestic RHI Scheme on behalf of the DfE.
26 April 2024	Ofgem issued formal notice of termination of the arrangement to administer the Non-Domestic RHI Scheme on behalf of the DfE. This provided the DfE with two years notice that the arrangement would end on the 30 April 2026.
30 July 2024	The Minister of the Economy received Executive agreement to close the Scheme.
15 October 2024	The NIAO published its second report on Northern Ireland Executive progress against the RHI Inquiry's recommendations. That report found that 26 recommendations had been implemented, and 11 were likely to be implemented. Five actions were highlighted, as the NIAO had concluded that the "planned actions" were "not likely to address the recommendation".
18 September 2025	The Executive agreed: to the introduction RHI (Closure of Non-Domestic Scheme) Bill to the Assembly; to the publishing of a public consultation on closure regulation; to the bringing forward of regulations; and, to a "temporary uplift in tariffs" ahead of winter 2025.
6 October	The Bill is introduced in the Assembly.
7 October 2025	The DfE published response to 2021 Closure Consultation Report. That Report noted that a "large majority" of respondents were opposed to the preferred option of closure with a one-off payment. The reasons cited for opposition included the effect on the renewable heat industry in Northern Ireland and associated economic and environmental impacts. The report noted the Executive's agreed path forward, as set out above (18 September 2025) and concluded that the DfE had "developed alternative proposals to those proposed in 2021" and is to seek views on them (see section 3 of this Bill Paper for details).

Source: Compiled by RaISe (2025), relying on links to source material in Table

2 Introduced Bill – Proposed Changes

The Bill was introduced as a consequence of Ofgem's notification that it would no longer administer the existing Non-Domestic RHI Scheme after 30 April 2026. It is short, comprising two Clauses, with only one substantive, Clause 1. Clause 2 specifies the Bill's commencement and short title, if enacted.

2.1 Summary of Clause 1 as introduced

Clause 1 is focused on empowering the DfE to close the Non-Domestic RHI Scheme. It does using 13 paragraphs, as summarised in Table 2 below.

Table 2: Summary of Clause 1 as introduced

Paragraph	Clause as introduced
Clause 1(1)	According to the Bil's EFM, Clause 1(1) provides that Section 113 of the 2011 Act would be subject to the Bill as introduced. The EFM also states the 2012 Regulations would be subject to the Bill. Section 113 originally empowered the DfE to make regulations to introduce an RHI Scheme – the 2012 Regulations – and established the Non-Domestic RHI Scheme.
Clause 1(2)	Clause 1(2) ensures that Section 114 of the 2011 Act is not impacted by the Bill. Section 114 of the 2011 Act provided that Ofgem could act on behalf of the DfE or the Utility Regulator, in connection with an RHI Scheme introduced using the powers provide for by Section 113 of the same Act. The Bill's EFM notes that Section 114 of the 2011 Act "eventually become[s] redundant" if the Bill's Clause 1 is enacted and used.[7]
Clause 1(3)	Clause 1(3) empowers the DfE to make regulations under Section 113 of the 2011 Act, to "close, partially of completely" the Non-Domestic RHI Scheme. The EFM notes that this would allow the DfE to include provision relating to the "arrangements, administration and financing of scheme closure".
Clause 1(4)	Clause 1(4) empowers the DfE to include "provision of any kind for or as regards partial of complete closure of the scheme". The EFM notes that this would allow the DfE to include provision relating to the "arrangements, administration and financing of scheme closure".

[7] EFM - As Introduced

Paragraph	Clause as introduced
Clause 1(5)	Clause 1(5) specifies the powers provided by Clause 1(4) - in particular, it includes provisions about how the partial or complete closure of the Scheme is to be achieved and how Scheme Closure would be administered and financed. It provides for future regulations that would allow the DfE to enter intro agreements with other person to carry out specified functions on behalf of, or in collaboration with, the DfE. The EFM notes that this would allow the DfE to include provision relating to the “arrangements, administration and financing of scheme closure”.
Clause 1(6)	Clause 1(6) enables the DfE to retain the powers set out in Section 113 of the 2011 Act – that is, to alter “from time to time” the existing scheme, and the sums paid under it, until it is “completely closed”. It also provides the DfE with the power to amend regulations made under Section 113 of 2011 Act, to enable the closure of the Scheme, or as required as a consequence of closure.
Clause 1(7)	Clause 1(7) enables the DfE to specify in regulations how payments relating to the closure of the Scheme are to be made; enabling the DfE to specify whether such payments would be one-off, periodical, or paid in the instalments. It also provides the DfE with the power to specify in regulations that such payments are to be calculated on the basis of the “deemed or notional generation of heat”. The EFM states that this would allow the DfE to “alter the Scheme” until the Scheme is closed and “amend or revoke part or all of the 2012 regulations (or other regulations made under section 113 [of the Energy Act 2011] in pursuance of closure of the Scheme”.
Clause 1(8) and (9)	The EFM states that Clauses 1(8) and (9) are “technical and definitional”, to clarify the interaction of Clause 1 with “relevant statutory provisions which generally govern the making of regulations”. Those “relevant statutory provisions” include those set out in Section 17 of the Interpretation Act (Northern Ireland) 1954, which concerns “Statutory powers and duties generally".

Paragraph	Clause as introduced
Clause 1(10)	Clause 1(10) allows for future regulations made under the Bill to “include provision concerning things done, or facts or circumstances” that existed before the Bill was enacted. The EFM states that this enables the transition of Non-Domestic RHI Scheme participants from that Scheme to the Scheme Closure arrangements.
Clause 1(11)	The EFM states that Clause 1(11) ensures that regulations made under the RHI Bill would be subject to the same procedures as those made under the 2011 Act – that is, draft affirmative procedures.
Clause 1(12)	According to the EFM Clause 1(12) defines what is meant by “partial closure” and “complete closure” within the context of the RHI Bill. The Clause 1(12) defines “partial closure” as including “any or all” of the following: • winding down the scheme • reducing the cost or scale of the scheme • decreasing the sums payable under the scheme • restricting or cancelling specific parts of the scheme • allowing no-one else to join or seek to join the scheme Moreover, “complete closure” is defined as the “cessation of the scheme, or of what remains of the scheme, entirely (and in all respects)”.
Clause 1(13)	Clause 1(13) includes further definitions relevant to the Bill, such as the definition of “the Department” as the DfE and of “section 113” as Section 113 of the 2011 Act.

Source: Compiled by RaISe (2025), relying RHI (Non-Domestic Closure) Bill, as introduced and EFM as introduced

As can be seen from the above Table 1, Clause 1 provides the DfE with the power to make regulations to "partially" or "completely" close the Non-Domestic RHI Scheme. Through such regulations, the DfE is empowered to set out how the closure would be administered and financed, and how payments would be made. It also empowers the Department to set out in regulations specifying how such payments are to be calculated, including allowing for their calculation on the basis of "deemed or notional generation of heat".

Any such regulations made under the Bill would be subject to "draft affirmative procedure" under Assembly Standing Orders. That means the rule or regulation is:

> *…is laid in draft before the Assembly by the rule making body, usually a Department. It may not be made unless and until affirmed by a resolution the Assembly.*
>
> *To do this, the relevant Minister must bring a motion to the Assembly for debate in the Assembly Chamber.*[8]

The use of said procedure would determine the level of scrutiny that would be applied to said secondary legislation – that is, the Regulations would "…not be made unless and until [it would be] affirmed by a resolution of the Assembly". However, as the publication entitled "Deconstructing Legislation: A practical guide to legislative scrutiny" (February 2015) observes in relation to secondary regulation when legislating:

> *Given the practical realities of the allocation of Assembly Business…it should be remembered that if the opportunity is not taken at the time of passing the Bill to scrutinise the policy completely and effectively, it may be difficult or impossible to take that opportunity later.*[9]

That guide's relevance in the context of this Bill; it notes that while the affirmative resolution procedures offer greater opportunity to scrutinise secondary legislation than the negative resolution procedure, and recommends

[8] Northern Ireland Assembly What is Delegated Legislation? (accessed 20 November 2025)
[9] Greenberg, D, Northern Ireland Assembly, Deconstructing Legislation: A practical guide to legislative scrutiny

use of the former for “potentially controversial powers”. That Guide nonetheless also adds that a debate on an affirmative motion:

> *…is significantly less effective as a method of scrutiny than consideration of provisions of a Bill.*[10]

In this context, it is worth noting that the existing Non-Domestic RHI Scheme was introduced through secondary legislation - the 2012 Regulations - which were subject to draft affirmative procedure in the Assembly. Years later, when considering the role of the then Committee for Enterprise, Trade and Investment (ETI Committee) at the RHI Inquiry, that Inquiry subsequently reported:

> *Regulations are not the subject of detailed consideration and debate by the Assembly and, therefore, the careful and effective scrutiny by the ETI Committee* [was] *of particular importance.*[11]

The Inquiry found that the ETI Committee:

> *…was not provided with sufficient/adequate information to permit* [it] *to effectively discharge its scrutiny function.*[12]

And recommended that the Assembly:

> *…should consider what steps are needed to strengthen its scrutiny role, particularly as conducted by the Assembly Committees.*[13]

Potential Scrutiny Point:

1. Given the above, including the findings and recommendations of RHI Inquiry Report, the Committee for the Economy may wish to further probe the DfE about its

[10] Greenberg, D, Northern Ireland Assembly, Deconstructing Legislation: A practical guide to legislative scrutiny
[11] The Report of the Independent Public Inquiry into the Non-Domestic Renewable Heat Incentive (RHI) Scheme, Volume 1 - Chapters 1-19
[12] The Report of the Independent Public Inquiry into the Non-Domestic Renewable Heat Incentive (RHI) Scheme, Volume 1 - Chapters 1-19
[13] NI Audit Office Report - Assessing progress with the implementation of the RHI Public Inquiry recommendations (Second Report).pdf

decision to rely on secondary legislation to deliver the Bill's underlying objectives.

2.2 Commentary about Clause 1 as introduced

2.2.1 Clause 1: Power to close the Non-Domestic RHI Scheme

In setting out its underlying rationale for the Bill, the DfE advised the Committee for the Economy (the Committee) at its 8 October 2025 meeting, that the Bill was "part of the closure process"; adding that, it was "purely enabling in form" in that it would provide:

> *… the Department with the power to close the scheme, and any detail behind that will be in regulations.*[14]

Furthermore, the DfE stated the Bill was:

> *…technical in nature. It does not directly impact participants or do anything other than provide powers.*[15]

Commenting on the Bill during the Second Stage, the Minister stated that the Bill – if enacted as introduced – would enable the DfE to:

> *…finally deal with the RHI scheme in a way that is fair to participants and taxpayers and will also give us the ability to access AME* [Annual Managed Expenditure] *funding that we are currently unable to access and to put to good use.*[16]

At the 8 October 2025 Committee meeting, the DfE officials explained that closure of the Scheme would enable the DfE to utilise AME funding that currently is returned to the His Majesty's Treasury (HMT), and to fund a new Scheme to promote renewable heat (distinct from the existing Non-Domestic RHI Scheme). That policy, if successfully delivered, could assist in meeting DfE

[14] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[15] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[16] Northern Ireland Assembly Official Reports (20 October 2025)

commitments in its current Energy Strategy[17] to decarbonise Northern Ireland's heat sector, and to contribute towards the net-zero emission statutory duty set out in Section 1 of the Climate Change Act (Northern Ireland) 2022.[18] The DfE explained it is developing policy in that area, but at present cannot provide a definitive date for delivery. Though Departmental officials did note that it would "not be in place next year".[19] (Section 4 of this Bill Paper examines this and other potential "public purse" considerations arising from this Bill.)

Potential Scrutiny Point:

2. When will the DfE provide further detail on future support schemes for Renewable Heat in Northern Ireland, in order to drive forward its implementation of its current Energy Strategy?

3. How does the DfE intended establish a new support scheme for Renewable Heat, will it rely on primary or secondary legislation?

During the 8 October 2025 Committee meeting, the DfE officials made clear that the Bill's policy proposals would form the basis of the Non-Domestic RHI Scheme Closure Regulations, which would be subject to public consultation and in turn draft affirmative resolution under Assembly Standing Orders. That consultation launched on 29 September 2025, with a closing date of 24 November 2025.

Significantly, the DfE officials further advised the Committee that the DfE intended to "bring the regulations forward at the same time as [the Bill's] Committee Stage"; and indicated it would bring the consultation responses to the Committee at the same time.[20] Moreover, they stated the DfE had already

[17] Department for the Economy The Path to Net Zero Energy. Safe. Affordable. Clean. (December 2021)
[18] s1 Climate Change Act (Northern Ireland) 2022
[19] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[20] Committee for the Economy Minutes Of Evidence Report (8 October 2025)

engaged with participants in the current Non-Domestic RHI Scheme and that feedback had been "broadly positive".[21]

As noted above in Table 1 above, Clause 1(11), if enacted as introduced, would require any regulations made under the Bill would be subject to "draft affirmative resolution" under Assembly Standing Orders – meaning the rule or the regulation is prepared in draft form by the rule making body and the Assembly must approve said draft statutory rule or regulation, before it can become law. If the Assembly approves said draft statutory rule or regulation, the body making it may then proceed to make the statutory rule or regulation.[22] Bearing in mind the relevance of the practical guide noted in sub-section 2.1 of this Bill Paper along with the RHI Inquiry Report findings and recommendations, Assembly scrutiny of this Bill and any secondary legislation that would later follow will be critical to ensuring key policy and financial considerations are identified and appropriately scrutinised.

2.2.2 Clause 1(6): Power to alter the existing scheme and the sums paid under it until it is "completely closed"

As explained above in Table 1, Clause 1(6) of the Bill provides DfE powers to alter the existing Non-Domestic RHI Scheme and the sums payable under it, until said Scheme is completely closed.[23]

During evidence to the Committee for the Economy at its 8 October 2025 meeting, the DfE officials noted payments would be a "set amount, increasing by inflation". In that same evidence session, they also highlighted that historically payments under the existing Scheme had been adjusted to account for changes to "fuel price differentials" between fossil fuels and renewable heat fuel sources.[24]

It is unclear from the Bill as introduced, and its accompanying EFM,[25] as to how the DfE would use its power under Clause 1(6), if enacted. This is true for the

[21] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[22] Northern Ireland Assembly What is Delegated Legislation? (accessed 20 November 2025)
[23] RHI (Non Domestic Closure) Bill - As Introduced (6 October 2025)
[24] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[25] RHI (Non Domestic Closure) Bill EFM - As Introduced (6 October 2025)

general power to alter the "Scheme" and to alter payments under it. It is noteworthy that when addressing a question from a Committee for the Economy member as to the purpose of Clause 1(6) at the 8 October 2025 Committee meeting, the Departmental officials sated:

> *The bringing forward of regulations to make changes to anything in the future would be done through due process — that is the normal due process that regulations need to go through. There would be proper scrutiny.*[26]

> **Potential Scrutiny Point:**
>
> 4. The Committee for the Economy may wish to probe the DfE further on how it intends to use the power that would be provided to it by Clause 1(6). For example, is it envisioned that said power would be used in the future to alter payments to recipients, to account for changes to fuel price differentials?

2.2.3 Clause 1(7): Power to specify how payments are made

As noted above in Table 1, Clause 1(7) empowers the DfE to specify in regulations that payments are "one-off, periodical, or paid in the instalments". The DfE ongoing public consultation on the Non-Domestic RHI Closure Regulations states:

> *It is proposed that closure payments will be paid annually in arrears, linked to the date of the installation's original accreditation, and continuing until 20 years after the original accreditation, provided the installation continues to be utilised in line with the Scheme regulations and guidance.*[27]

When giving evidence to the Committee at its 8 October 2025 meeting, the DfE officials stated that the one-off payment option was ruled out "on value-for-

[26] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[27] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)

money basis", and that if a one-off payment was made "there would be no guarantee that the boiler would continue to be used".[28] As noted in Table 1, above, a February 2021 DfE consultation on the closure of the Non-Domestic RHI Scheme found such closure with a one-off payment to participants would cost £68.4 million. That figure is significantly lower than the estimated cost of the current approach – £196 million – see section 4 of this Bill Paper for potential public purse considerations arising from the Bill, if enacted as introduced.

Potential Scrutiny Points:

5. Given that DfE has stated that the one-off payment option has been ruled out, and has proposed periodic payments in its ongoing public consultation on the Non-Domestic RHI Closure Scheme Regulations, the Committee may wish to seek clarity from the DfE about the intent of Clause 1(7).

6. The Committee may wish to ask the DfE for its current estimate of closing the existing Scheme and providing a one-off payment to participants. Why is that option is no longer considered "value for money"?

3 Ongoing DfE public consultation on the Non-Domestic RHI Scheme Closure Regulations

The DfE public consultation on the Non-Domestic RHI Closure Scheme Regulations was launched on 29 September 2025 and will close on 24 November 2025. The consultation document sets out the DfE's proposed approach to such Regulations. As also noted above, said Regulations are expected to be provided to the Committee for the Economy, before the end of Bill's Committee Stage.

[28] Committee for the Economy Minutes Of Evidence Report (8 October 2025)

The consultation document sets out that proposed approach, encompassing four areas:

- eligibility
- basis for future payments
- payment banding and adjustment
- compliance

The sub-sections below provide a summary of the proposed approach in each stated area.

3.1 Eligibility

The consultation document proposes annual closure payments to be provided to “accredited installations that continue to generate heat for an eligible purpose”. To be eligible for owners’ payments, the DfE has proposed that installations will be required to be “fully accredited” and to complete an “annual declaration”.[29]

3.2 Basis for future payments

The consultation document proposes annual closure payments to be based on “records of average historic heat usage during the period 2017-2019”. That assessment of historic heat will be based on Ofgem’s quarterly records of metered heat output over said period. The document states that where no meter reading has been submitted in any quarter, “a zero-heat output for that quarter” will be assumed. The document further states that this chosen period was selected due to “known flaws” over the 2013 to 2017 period, which “may have distorted boiler usage” and a “significant drop in usage” after 2019.

During the 8 October 2025 Committee for Economy meeting, the DfE officials provided further explanation about the Department’s decision to choose the period 2017 to 2019 as the baseline for “historic heat output”, stating:

[29] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)

The years in question were the years that best represent the right usage for the installations because the period up to 2017 typically may have seen some overproduction of heat, so that was not a good period. The tariff set in 2019 was the correct tariff at the time when it was set. Subsequently, a lot of unprecedented global events, such as the war in Ukraine and COVID very much affected the prices of kerosene and biomass. Because of that, we saw low usage in those years. That was not typical, so we felt that 2017-19 were the right years.[30]

Potential Scrutiny Point:

7. Given the gap between the end of the historical heat period and the introduction of this Bill, the Committee for the Economy may wish to ask the DfE for a more recent estimate of heat output and how that compares to the chosen period.

Commenting on the move from the metered measurement of heat output to the reliance on historic heat output, the DfE consultation document states the:

…use of 'historic heat output' will eliminate the need for participants to record and submit quarterly meter readings. As such, the current obligations to metering placed on participants by the regulations, will no longer apply.[31]

The consultation also proposes that:

…the Department will engage stakeholders to bring forward a procedure which allow participants to have historic output figures reviewed.[32]

[30] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[31] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)
[32] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)

Potential Scrutiny Point:

8. When does the DfE intended to carry out this engagement, and when will it bring forward the relevant procedure?

The consultation document proposes annual payments are to paid on pence per kilowatt hour (p/kWh), to vary by technology and are to be tired for small and medium biomass. The proposed tariffs are set out in Table 3 below.

The document states the proposed tariffs would be subject to an annual inflationary uplift each 1 April, based on the Retail Prices Index for the preceding December for most technologies. The exception would be the small and medium biomass, which is to be linked to the Consumer Price Index. The DfE noted in evidence at the 8 October 2025 Committee meeting that “the vast majority”, approximately “98%” of non-domestic RHI installations were in the “lower medium and upper medium biomass categories”:[33]

[33] Committee for the Economy Minutes Of Evidence Report (8 October 2025)

Table 3: Proposed closure tariffs (2025 prices)[34]

Technology/Tier	Current tariff	Proposed tariff
Small biomass Tier (T) 1	9.2p/kWh	13.8p/kWh
Small biomass T2	2.3p/kWh	4.8p/kWh
Lower medium biomass T1	2.2p/kWh	6.1p/kWh
Lower medium biomass T2	0p/kWh	1.7p/kWh
Upper medium biomass T1	1.5p/kWh	4.2p/kWh
Upper medium biomass T2	0p/kWh	1.5p/kWh
Large biomass	2.1/kWh	2.2p/kWh
Small heat pumps	13.8p/kWh	14.2p/kWh
Medium heat pumps	7.0p/kWh	7.2p/kWh
Solar collectors	13.9p/kWh	14.5p/kWh

Source DfE (2025)

In evidence at the 8 October 2025 Committee meeting, the DfE officials noted that the proposed tariffs would be equivalent to those it plans to introduce through the forthcoming Renewable Heat Incentive Scheme (Amendment) Regulations (Northern Ireland) 2025. Those Regulations are due to come into effect in November 2025, and will set tariff rates for the Scheme up to 31 March 2026, at which point the Non-Domestic RHI Closure Scheme Regulations are due to come into effect. Moreover, the officials stated the proposed tariff rates provide a "typical participant a 12% rate of return based on a 20-year

[34] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)

investment profile".[35] They further explained that a 12% rate of return would allow participants to meet investment and other costs.[36]

In terms of the cost assumptions, the officials stated they had been subject to independent scrutiny by a Queen's University Belfast academic who:

> *…looked ay out model and confirmed that he thought the assumption that we had put in were correct.[37]*

3.3 Payment banding and adjustment

The DfE's consultation document proposes the introduction of three usage bands "based on their understanding of their heat output over the previous 12 months". It further clarifies that participants would "self-declare this information each year".[38] Based on that declaration, participants would be categorised in one of three bands, and their annual payment would be adjusted according to the rules of that band. The document specifies that those bands would be:

- **Standard operational use:** the self-declaration shows that the installation operated "inline with historic heat needs for 50-100% of the year". Participants falling into this category would receive their full annual payment based on historic heat use between 2017 and 2019.
- **Limited operational use:** the self-declaration shows that the installation operated for less the 50%, but more than 5%, of historic heat output. Participants falling into this category would receive the higher of "50% of historic heat output" or the De Minimis amount.
- **De Minimis use:** the self-declaration shows that the installation operated for less the 5% of historic heat output. Participants falling into this category would receive the De Minimis payment.[39]

[35] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[36] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[37] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[38] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)
[39] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)

During the DfE evidence session at the 8 October 2025 Committee meeting, the Committee raised concerns about the proposed bandings. Specifically, Committee members questioned the underlying rationale for a 100% payment to a participant that produced 51% of historic heat output, or a 50% payment to a participant that produced 6% of historic heat output. The Committee also questioned whether the proposed bandings would incentivise participants to maximise their renewable heat generation, as opposed to generating the minimum amount to secure the maximum payment.[40]

Potential Scrutiny Points:

9. Did the DfE consider any alternative bandings when it designed the proposed Closure Scheme?
10. If so, what was the assessed impact of those?
11. Why have the proposed bandings been chosen over such alternatives?

The DfE consultation document states that "to ensure fairness and accuracy":

> *…the Department will carry out inspections and request evidence of heat production, for example records of eligible fuel purchased.*[41]

The issue of inspections is explored in greater detail in the sub-section below.

3.4 Compliance

The DfE consultation document proposes that participants would be required to meet the following obligations, in order to receive annual payments:

- Submission of an annual declaration by a set deadline.
- Provision of supplementary information including photographs of the installation.

[40] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[41] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)

- Retention of records of eligible fuel sources, to be provided on request.
- Retention of any maintenance record, to be provided on request.
- Notification the DfE of any changes in circumstances that may, or do, affect eligibility for payment.
- Provision of access to the premises to inspect and audit.[42]

During the 8 October 2025 Committee meeting, the DfE officials stated Scheme participants would be required to:

> *…submit their legally binding annual declaration, on which they sign that what they have said is true. They would also provide photographs of the machine in situ, evidence of where they got there fuel from and evidence that they have been maintaining it. That would let us know that people are not just taking their closure payment and then scrapping the machine.*[43]

In the consultation document, the DfE states fuel and maintenance records are to be provided “on request”.[44] The DfE’s statement at Committee on 8 October 2025 is less clear about when such information would be provided. However, if read in the context of the entire quote, it could be reasonably inferred that this information would be provided annually alongside the annual declaration.

Potential Scrutiny Point:

12. To clarify the apparent ambiguity outlined above, the Committee for the Economy may wish to seek clarification from the DfE as to how and when participants would be required to provide fuel and maintenance records.

The consultation document further proposes that the DfE would:

> *…retain an audit function and participants may be required to submit further evidence and/or permit access to the installation for audit and*

[42] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)
[43] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[44] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)

inspection purposes. The Department will retain the right to revoke accreditation and/or withhold payments and/or claw back payments in the event that satisfactory declarations are not made or, satisfactory evidence is not provided. The Department will develop and maintain a fraud policy in respect of ongoing payments.[45]

Potential Scrutiny Point:

13. The Committee may wish to seek clarification from the DfE as to how and when the DfE would use the specified audit function.

The consultation document also notes that the purposes of inspections would be to "check that installations remain in use, declarations are accurate and participants comply with Scheme regulations and guidance".[46] Where non-compliance is evidenced, payments may be suspended, previous payments could be recovered and the installation could be excluded from future payments.

Commenting on the inspection process during the October 2025 evidence session with the Committee, the DfE officials stated that the Department anticipated 100 inspections per year for the next ten years, enabling the inspection of all 900 Scheme participants. They also stated that it intended to tender for "external providers for the inspections". Moreover, they noted that participants would be given notice prior to an inspection and that the terms of that notice would be set out in future guidance.[47]

More recently, in information provided to RaISe by the DfE in November 2025, the DfE stated that there policy on "inspections has not yet been finalised". Adding that, inspections may be outsourced or facilitated in house.[48]

[45] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)
[46] Department for the Economy, Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme (24 September 2025)
[47] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[48] Email correspondence with DfE November 2025

Potential Scrutiny Points:

14. When will the DfE finalise its inspection policy and will it share that policy with the Committee?

15. When will the DfE publish Scheme-related guidance?

4 Potential key “public purse” considerations arising from the Bill as introduced

Below considers the fiscal context in which the Bill arose and potential key “public purse” considerations arising from the Bill as introduced, in terms of public funds that are raised through taxation and managed government departments under HMT oversight.[49]

4.1 Fiscal Context

In considering the financial implications of the Bill, if enacted as introduced, it is also important to consider the fiscal context in which it arose, as well as the commitments made by for Executive in 2024 and 2025 in terms of its Budget and financial sustainability, as well as numerous competing budgetary pressures.

Under the prevailing institutional and financial arrangements of current devolution in Northern Ireland:

- The funding available to the Northern Ireland Executive for its Budget is largely informed by what it receives from central government (Westminster).
- The Executive “tops up” that funding, to some extent, using its limited available fiscal levers under current devolution arrangements, by raising revenue.

[49] Managing_Public_Money.pdf

- Since February 2024, the Executive and its departments have sought to implement the terms of the December 2023 political agreement and related February 2024 funding package, including the Interim Fiscal Framework, the Budget Sustainability Plan and the accompanying Budget Improvement Plan Roadmap, as well as the establishment of the Interim Transformation Board, while seeking to improve Northern Ireland public finances.
- The Executive has sought to do all the above amidst numerous competing priorities and demands on limited funding throughout the United Kingdom, not just Northern Ireland.
- Executive attention now is on the forthcoming United Kingdom Chancellor's Autumn Budget on 26 November 2025, following on from:
  - The Chancellor's October 2024 (see RaISe Briefing Paper 47/24 entitled "Chancellor's Autumn Budget 2024: initial considerations for Northern Ireland").
  - On 26 March 2025, the Chancellor's 2025 Spring Statement updating the House of Commons on the United Kingdom economy and public finances, and was accompanied an Economic and Fiscal Forecast from the Office for Budget Responsibility (OBR). Her Statement also announced a number of policy decisions, which included reforms to the welfare system, increased defence spending and a £3.25 billion (b) "Transformation Fund" to reform public services. However, as DoF Officials explained during an Assembly Finance Committee meeting on 1 April 2025:[10]

    …. on the allocations out of that fund, it will depend on which Whitehall departments get allocations from it so we don't get it on the £3.25 billion we'll get it on the allocations.
  - On 11 June 2025 the Chancellor detailed the Spending Review 2025 setting out departmental budgets for day-to-day spending until 2028/29, and until 2029/30 for capital investment.

Executive responses to each of the above include:

- Published 31 January 2025, the 2025/26 Draft Executive Budget and accompanying Written Statement by the Minister for Finance highlighted ongoing “pay and inflationary pressures” and “growing demands” on public services.
- On 3 April 2025, the Executive agreed the 2025/26 Budget, which the Finance Minister described as “sets out a direction of travel” which “clearly prioritises its Programme for Government priorities”.[12] Subsequently, DoF published its 2025/26 Budget Factsheet setting out the Executive’s spending plans for the one-year period from 1 April 2025 to 31 March 2026.
- On 3 October 2025, the Finance Minister provided a Written Ministerial Statement detailing Treasury Funding Available 2026-2029/30. The challenging United Kingdom public finance context – including in Northern Ireland – recently was underscored by the statements made by the Northern Ireland’s Minister of Finance in September 2025. The Minster stated:

  There are pressures across all our Departments. The growing demand for public services is significant. It is there for all to see. Matching that demand to a constrained comprehensive spending review over the three-year period for resource and the four-year period for capital is a challenge for all Departments and a collective challenge for the Executive.[13]
- More recently, it was further underscored when a request to Treasury for a reserve claim of £119 million to cover the cost of a potential settlement following the Police Service of Northern Ireland (PSNI) data breach, which occurred in August 2023, was rejected. The Finance Minister, responding to an urgent question, told the Assembly:

  It is regrettable that the Chief Secretary to the Treasury has declined the Executive's request for access to the reserve for costs associated with the PSNI data breach. It remains my view that the exceptional, unavoidable nature of the costs meets the conditions of our reserve claim[14] *.*

This Bill therefore has been introduced within a challenging context for public finance for Northern Ireland.

4.2 Potential implications for the 'public purse'

As noted above in Section 2 of this Bill Paper, the Bill is technical and would, if enacted as introduced, empower the DfE to make regulations to implement the closure of the Scheme the Bill. The Bill's accompanying EFM states:

> *The Bill itself has no direct financial effects. The financial effects of the regulations made under the powers set out in the Bill will be assessed separately.*

In evidence at the 8 October 2025 Committee meeting, the DfE officials stated that the Non-Domestic RHI Closure Scheme Regulations are estimated to result in £196 million in annual payments to participants over a ten-year period Moreover, it estimated administration of such a Scheme would be £17 million for the same period..[50] They also stated that these costs had been approved by HMT and were State Aid[51] compliant.[52]

Following a request for further information by a member of the Committee for Finance, the DfE provided details of the anticipated annual costs of said Scheme, until its closure in 2036. DfE replied providing Table 4 below:

[50] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[51] State aid refers to any advantage granted by a public authority through state resources to undertakings (businesses or organisations) that is selective, distorts competition, and affects trade between member states. State Aid and Subsidy Control | Department for the Economy
[52] Committee for the Economy Minutes Of Evidence Report (8 October 2025)

Table 4: DfE estimated annual costs for Non-Domestic RHI Scheme Closure

Year	AME Cost £mil	DEL Cost £mil	Total Cost £mil
2024/25	-	1.19	1.19
2025/26	17.53	3.87	21.40
2026/27	17.79	1.05	18.84
2027/28	18.08	1.09	19.17
2028/29	18.43	1.12	19.55
2029/30	18.80	1.15	19.55
2030/31	19.19	1.18	20.37
2031/32	19.57	1.22	20.79
2032/33	19.97	1.25	21.22
2033/34	19.85	1.29	21.14
2034/35	17.62	1.32	18.94
2035/36	9.04	1.63	10.67
TOTAL	**195.87**	**17.36**	**213.23**

Source: AIMS Portal (2025)

Potential Scrutiny Point:

16. The Committee may wish to ask the DfE why there is considerable variation in the DEL costs, from 2024/25 to 2025/27.

While the Bill does not contain direct financial implications, if enacted as introduced, it nonetheless would establish the regulatory framework that would allow ongoing payments (at an estimated £196 million) and administrative expenditure (at an estimated £17 million) until the Scheme closes completely in

2036. Therefore, there would be significant public purse costs if the Bill was enacted as introduced. The DfE advised at the Committee's 8 October 2025 meeting that HMT had agreed to cover the £196 million Closure Scheme payments over ten years, and the £17 million administration costs over ten years, with Resource Departmental Expenditure Limit (DEL).

To support Assembly scrutiny in this area, including that of the Committee for the Economy, the following sub-sections addresses key themes relating to such costs.

4.2.1 Administration of the Scheme Closure

As set out in Section 2, Clause 1 provides the DfE with the power to make regulations to "partially" or "completely" close the existing Non-Domestic RHI Scheme. Through such regulations, the DfE is empowered to set out how the closure would be administered and financed, and how payments would be made. It also empowers the Department to set out in regulations specifying how such payments are to be calculated, including allowing for their calculation on the basis of "deemed or notional generation of heat". Any regulations made under the Bill would be subject to "draft affirmative procedure"[53] under Assembly Standing Orders.

Specifically, in relation to any potential costs arising from the Bill, if enacted as introduced, Clause 1(5)(ii) includes provision for the:

> *…administration and financing of such closure of the scheme.*

In order to complete the Scheme Closure as proposed, the DfE would be required to undertake its administration and to process "closure payments". Clause 1(5) therefore provides the DfE with the powers necessary to establish administrative arrangements that would wind down the Scheme and make payments until its closure.

This Clause is necessary due to the historic administration of the Non-Domestic RHI Scheme that had been done by the Ofgem on behalf of the DfE. Ofgem's

[53] rhi-bill---efm---as-introduced---fpv.pdf

responsibilities included collecting meter data, processing applications, making payments, conducting inspections and performing fraud checks.[54] Information provided to RaISe in October 2025 from the DfE indicated that since 2020, the annual cost of the administration by Ofgem ranged from £833,000 to £969,000 per year, at an average of £892,000 per year. Costs also reflect a proportion of corporate overheads, such as Human Resources, as the DfE advised RaISe in November 2025. However, in 2023, Ofgem informed the DfE that from April 2026 it would no longer administer the Northern Ireland Scheme.[55]

In November 2025, the DfE also advised RaISe about the tasks completed by Ofgem under the existing Service Level Agreement (SLA), which highlighted for the year ending March 2025, Ofgem's tasks included:

- 5,400 periodic data submissions
- processing 4,400 payments
- dealing with 564 enquiries by email and phone.
- addressing 68 amendments (such as change of ownership, new meters, relocations, etc).

Given that Ofgem will no longer be providing any support to the Northern Ireland Scheme, it is clear that the DfE need to put an administration function in place to cover core tasks until the Scheme is completely closed. In particular, the DfE advised RaISe that the following activities are likely to generate financial implications:

- **Payment processing**: recalculating entitlements, issuing one-off or instalment payments (as permitted under subsection 1(7)(a)), and managing appeals and disputes.
- **Fraud detection and compliance monitoring:** site inspections, data verification and enforcement actions.

[54] 54 Northern Ireland Non-Domestic Renewable Heat Incentive | Ofgem
[55] 55 Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme - (FINAL 25 September 2025).pdf

- **Contractual and operational costs**: fees arising from outsourcing certain tasks (such as inspections), service-level agreements and performance monitoring if functions are delegated.
- **Systems and Staffing**: updating IT systems, training staff, and maintaining records to support closure activities and future audits.

Although the Bill provides the legal framework for these activities, it does not specify the **scale or duration** of administrative functions, nor does it quantify the associated costs. However, as noted in the Minister's statement at Second Stage of the Bill on 20 October 2025,[56] in addition to the £196 million Annually Managed Expenditure (AME) that has been authorised by HMT over the next 10 years for the Scheme Closure, in particular, for Scheme participant's payments. A further £17 million has been authorised by same for administration over the next 10 years.

Further information provided by the DfE to RaISe[57] in November 2025 shows the Department has allowed for 18 FTE Staff to support the administration of the closing of the Scheme as follows:

- 1 Grade 7 (Principal)
- 1 Deputy Principal (DP)
- 3 Staff Officer (SO)
- 1 Executive Officer I (EO I)
- 4 Executive Officer II (EOII)
- 8 Administrative Officers (AO).

As detailed in Table 3, the DfE officials also noted that the overall cost of administration, including the above staff is estimated to be on average £1.4 million until 2036. Those costs include IT systems and inspections.

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[56] Official Reports
[57] Email correspondence from DfE officials

Potential Scrutiny Point:

17. The Committee for the Economy may wish to ask the DfE to detail why the anticipated average administration costs of £1.4 million per annum are considerably more than the average £892,000 Ofgem administration cost.

18. The Committee may wish to seek further detail regarding the HMT funding for the closure payments.

It may be of interest here to note that a 2021 DfE public consultation concerning the closing of Non-Domestic RHI Scheme at that time. That consultation document estimated the costs for "*scheme closure with compensation paid to legitimate current participants"* would be £68.4 million. In the current context, it is noteworthy that neither the introduced Bill or the accompanying EFM provides any further details on how the proposed closure specified in the introduced Bill differs from that set out in the previous 2021 consultation document.[58] Though in 2021 the Centre for Advanced Sustainable Energy (CASE) also estimated that the cost to close the Scheme would be in the region of £100 - £120 million, based on an internal rate of return of 12%.[59]

Potential Scrutiny Point:

19. The Committee for the Economy may wish to ask the DfE to detail why there is considerable divergence between the costs estimated in 2021 and 2025.

4.2.2 Scheme Payments

Clause 1(6)(a) of the introduced Bill allows for variation of sums payable under the Scheme, and sub-section (10) permits retrospective application of Regulations. Furthermore, as noted in the Bill's EFM;

[58] Non-domestic renewable heat incentive scheme - consultation document
[59] Non-domestic renewable heat incentive scheme consultation responses 2021

> *Clause 1 (7) clarifies that, in the context of closure of the Scheme (i) references to payments in subsection (2) of section 113 may include one-off, periodical or instalment payments, and (ii) provision may be made that payments may be calculated on the basis of deemed or notional generation of heat.*

Moreover, as noted in the DfE consultation document:[60]

> *The administration of quarterly periodic support payments based on metered heat will be replaced by annual payments based on 'historic heat output' for each installation. "Historic heat output" refers to the years 2017–2019.*
>
> *Annual payments will continue until the date the participant would have left the original Scheme provided the installation continues to be utilised in line with the Scheme regulations and guidance, thus bringing the Scheme to a graduated close.*

As explained by the DfE officials during the Committee for the Economy meeting on 8 October 2025, the anticipated £196 million that would be required to close the Scheme would be provided by HMT and not from the Northern Ireland block grant.[61]

In addition, payments to accredited installations would be made in three banded categories[62]:

- under 5% of boiler capacity – a **De Minimis** payment is provided
- 5%-50% of capacity – get a 50% payment
- 51% and more of capacity - get a 100% payment.

It is important to note these **One-off or Instalment Payments**; at Clause 1(7)(a) of the Bill, as they would create flexibility in payment structures, if

[60] Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme - (FINAL 25 September 2025).pdf
[61] Committee for the Economy Minutes Of Evidence Report (8 October 2025)
[62] Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme - (FINAL 25 September 2025).pd

enacted as introduced, which in turn could affect Departmental cash flow and budgeting.

Previously, Ofgem collated meter readings via an online platform in order to assess the level of payments due. During the Second Stage of the Bill[63] on 20 October 2025, the Minister for the Economy indicated it does not intend to undertake meter [64]readings, and instead would rely on proof of fuel purchased as an indicator of boiler output in the absence of meter readings and with limited inspections. The DfE subsequently advised RaISe that the policy on inspections has not yet been finalised - it may be outsourced or conducted in-house – as currently is the case with the Domestic RHI Scheme.

Potential Scrutiny Points:

20. The Committee for the Economy may wish to ask the DfE if it has considered adding more bands to minimise the potential for overpayment?

21. The Committee for the Economy may wish to satisfy itself that proof of fuel purchase (as proposed by the DfE) is a sufficiently robust indicator of boiler operation.

22. The Committee for the Economy also may wish to ask the DfE what mitigations would be put in place to reduce the risk that fuel purchase volumes do not reflect actual heat generated by accredited installations.

As noted in the DfE consultation document,[65] the Department is to retain audit and inspection rights, and as such, Scheme participants may be asked to provide evidence of fuel purchased.

63 Official Reports
64 Email correspondence from DfE officials
65 Public Consultation on the Closure of the Northern Ireland Non Domestic RHI Scheme - (FINAL 25 September 2025).pdf

Clause 1(6) allows for DfE regulations to be made to alter the Scheme from time to time:

> *including by varying the sums payable under the scheme until the scheme is, completely closed.*

However, Clause 1(11) further provides that any such regulations will be subject to the draft affirmative procedure (as explained sub-section 2 of this Bill Paper), ensuring that the Assembly has the opportunity to scrutinise any future changes.

4.2.3 Other issues to consider

Given the historical shortcomings of the RHI Scheme, including concerns raised during the Independent Public Inquiry[66] and sub-sequent NIAO reports[67] [68] regarding governance, oversight, and cost control, there is a clear imperative for financial transparency regarding the outworkings of this Bill, if enacted as introduced. The NIAO repeatedly has emphasised the need for clear reporting of costs and stronger financial scrutiny, including recommending transparency measures, such as[69]:

- **Clear publication of administrative costs**, including any renewed or new arrangements with external bodies such as Ofgem.
- **Disclosure of payment structures**, especially where one-off or instalment payments are introduced under Clause 1(7).
- **Transparent reporting of compliance and enforcement activities**, including fraud detection and site inspections.
- **Regular updates to the Assembly and relevant committees**, detailing expenditure, contractual obligations, and cost-saving measures associated with Scheme Closure.

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[66] EXECUTIVE RESPONSE TO THE RHI INQUIRY AND ACTION PLAN - FINAL

[67] Northern Ireland Non-Domestic Renewable Heat Incentive Scheme: Assessing progress with the implementation of the Public Inquiry recommendations | Northern Ireland Audit Office

[68] NI Audit Office publishes second report on implementation of RHI Inquiry recommendations | Northern Ireland Audit Office

[69] NI Audit Office publishes second report on implementation of RHI Inquiry recommendations | Northern Ireland Audit Office

Potential Scrutiny Point:

23. Given the highlighted need for greater financial transparency, the Committee for the Economy may wish to ask the DfE to provide detailed cost estimates for the administration of the Scheme Closure and periodic financial reporting, as part of its ongoing oversight of any DfE regulations made under the Bill, if enacted as introduced.

4.2.4 General observation

The introduced Bill confers functions on the DfE that would allow the Department to manage the financial trajectory of the Non-Domestic RHI Scheme. While the Bill provides a mechanism to limit long-term liabilities and help to deliver budgetary certainty for closure payments, it also creates short-term financial risks related to administration, contractual arrangements, payment adjustments and potential legal challenges. Robust costings, transparent reporting and appropriate parliamentary scrutiny of regulations made under the Bill, if enacted as introduced, would be essential to meeting requirements set out under recent agreements, as set out in sub-section 4 of this Paper, as well as serve to increase public confidence going forward.

5 Key takeaways

This Bill Paper has sought to assist Assembly scrutiny of the Bill, including that undertaken by the Committee for the Economy. It sets out essential background to the Bill, examines its individual clauses, provides an overview of DfE's proposed approach to closure regulations, and looks at public purse considerations arising from the Bill as introduced.

Its key takeaways include:

- The Bill would empower the DfE to make regulations to "partially" or "completely" close the Non-Domestic RHI Scheme, if enacted as introduced. It would also allow the Department to set out in regulation how such a Scheme would be administered and financed, including making payments to existing Non-Domestic RHI Scheme participants.

- The Bill's introduction is a consequence of Ofgem's notification that it would no longer administer the existing Non-Domestic RHI Scheme after 30 April 2026. It would also partially fulfil a commitment made in New Decade, New Approach (January 2020) to close down the Non-Domestic RHI Scheme and replace it with a new Scheme that effectively cuts carbon emissions. Delivery of such a Scheme could contribute to Energy Strategy commitments to decarbonise heat, and contribute towards the net-zero emission statutory duty set out Climate Change Act (Northern Ireland) 2022.
- The Bill was described by the DfE on 8 October 2025 as "purely enabling". The detail of the Closure would be set out in the Scheme Closure Regulations that are to be subject to draft affirmative resolution under Assembly Standing Orders.
- The use of said procedure would determine the level of scrutiny that would be applied to said secondary legislation – that is, the Regulations would "…not be made unless and until [it would be] affirmed by a resolution of the Assembly". It is worth noting that this is the same procedure that was used for the 2012 Regulations that introduced the Non-Domestic RHI Scheme. The March 2020 Public Inquiry Report about that Scheme into the Scheme noted regulations were not afforded "detailed consideration and debate" by the Assembly, and emphasised the need for "careful and effective" scrutiny at Committee.
- The Minister for the Economy noted during the Bill's Second Stage that using the powers set out in the Bill would enable the DfE to access AME funding that it is not currently able to access. The DfE officials noted to the Committee for the Economy at its 8 October 2025 meeting that such funding would be used to fund a new Renewable Heat Scheme, but could not provide a timeline for delivery of such a Scheme.
- Clause 1(6) of the introduced Bill would empower the DfE to alter the Scheme and the sums payable under it, until it is completely closed. It

remains unclear from the introduced Bill and the accompanying EFM[70] as to how the DfE intends to use that power, if Clause 1(6) is enacted as introduced.

- Clause 1(7) would further empower the DfE to specify in regulations that payments are "one-off, periodical, or paid in the instalments". The DfE stated at the 8 October 2025 Committee meeting that the one-off option was ruled out on a value for money basis, and because it would not incentivise participants to use renewable heat.
- The current estimated cost of providing annual payments under proposed closure approach is £196 million over ten years. A February 2021 DfE public consultation on the closure of the Non-Domestic RHI Scheme at that time estimated that provision of a One-off Payment upon the Scheme Closure would cost £68.4 million. It is not clear what the DfE's current estimate is for providing such One-off Payments.
- The ongoing DfE public consultation on the Non-Domestic RHI Closure Scheme Regulations was launched on 29 September 2025, and will close on 24 November 2025. The DfE officials stated at the 8 October 2025 Committee for Economy meeting that the DfE would provide the responses to said consultation to the Committee and the final regulations to the Committee prior to the end of stage.
- In the DfE document for the ongoing consultation, it sets out the DfE's proposed preferred approach to the Closure Regulations, including eligibility, payments under the regulations and compliance. This Bill Paper raised a number of Potential Scrutiny Points about the approach set out in that document, including:
  - The DfE proposes to base historic heat on the period 2017 to 2019, as previous years saw the over production of heat; while in later years kerosene prices were affected by COVID and the war in Ukraine. It is not clear how current usage compares to usage during the selected period.

[70] RHI (Non Domestic Closure) Bill EFM - As Introduced (6 October 2025)

  - The DfE states that it would engage with stakeholders to develop procedures to allow for the review of historic output figures. It is not clear when that engagement will take place, nor with who or when the procedure will be brought forward.
  - The DfE proposes three payments bands based on annual self-declared heat used. Those declaring they operated inline with historic use for 51-100% of the year would receive a full annual payment. Those declaring 6-50% use would receive 50% of a full annual payment. Those declaring less the 5% use would receive a De Minimis payment. The Committee for the Economy raised concern that this would allow someone declaring 51% use to receive full payment. It is not clear whether the DfE have considered a different banding structure.
  - It is not clear from the document for the ongoing DfE consultation and the DfE evidence to the Committee at its 8 October 2025 meeting about when the Scheme participants would be asked to provide photographic evidence and fuel purchase records annually, or when requested.
  - It also is not clear from them both as to how and when the DfE would utilise the audit function described in the Consultation.
  - It is not clear from both and information provided to RaISe by the DfE if the DfE would tender for external inspectors and produce closure scheme related guidance.
- Although the introduced Bill does not have any direct financial implications for the public purse, if enacted, it would provide the DfE with powers that would have financial implications, including the payment of £196 million of closure payments over the next ten years, amending tariffs and resources to administer the Closure Scheme - estimated at £17 million by the DfE - over the next ten years.
- The administration of the Non-Domestic RHI Scheme was historically carried out by Ofgem. That included payment processing, fraud detection and monitoring, operational costs and staffing. Since 2020 the annual cost of administration by Ofgem was on average £892,000 per year.

- On 24 October 2025, the DfE advised RaISe that it has allowed for 18 FTE Staff to support and administer the Scheme, and that the estimated cost of administration would be £1.05 million in 2026/27.
- The above proposed costs should be considered within the constrained financial context in which the Bill has been introduced. All Executive departments have reported extreme budgetary pressures, constraints and competing priorities. Furthermore, the Executive is bound by commitments made under the Interim Fiscal Framework and the Budget Sustainability Plan to control spending and to address overspending.

- In reports on the Executive's implementation of RHI Inquiry recommendations, the NIAO has recommended the need for transparency and the clear reporting of costs.