



Northern Ireland
Assembly

Committee for the Economy

OFFICIAL REPORT (Hansard)

Energy Strategy: Department for the
Economy

29 September 2021

NORTHERN IRELAND ASSEMBLY

Committee for the Economy

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Members present for all or part of the proceedings:

Dr Caoimhe Archibald (Chairperson)
Ms Sinead McLaughlin (Deputy Chairperson)
Mr Keith Buchanan
Mr Stephen Dunne
Mr Mike Nesbitt
Mr John O'Dowd
Ms Claire Sugden
Mr Peter Weir

Witnesses:

Mr Thomas Byrne	Department for the Economy
Ms Meabh Cormacain	Department for the Economy
Mr Richard Rodgers	Department for the Economy

The Chairperson (Dr Archibald): I welcome Richard Rodgers, who is head of energy group, Thomas Byrne, who is director of energy strategy, and Meabh Cormacain from energy division, all from DFE. Please make an opening statement, and then we will open up the meeting to questions from members.

Mr Richard Rodgers (Department for the Economy): Thank you very much for the opportunity to provide an update on the development of the energy strategy. As members are aware, we have provided a number of previous briefings, so we will focus just for a moment on recent developments. It is worth recapping that collaboration has been at the heart of the work that we have done on the strategy over the past two years. We have brought together, right across central and local government, relevant arm's-length bodies such as the Utility Regulator and the Consumer Council, other consumer representatives and business representatives, as well as, of course, the energy industry and, most importantly, consumers themselves, as we have developed to where we have got to so far.

Though led by the Department for the Economy, the strategy is an Executive strategy. As members know, we published an options consultation in March of this year, which covered the full breadth of the policy responsibilities across government, not just for Economy. The consultation was widely promoted, and we tried to make it as accessible as possible. We ended up with 283 responses, which is over four times more than the responses received in 2010 for the previous energy strategy — the strategic energy framework. That shows that there is wide interest in and engagement on the issue of energy. We were really pleased that over half of those responses came from consumers.

There is quite a bit of feedback on the line, Chair.

The Chairperson (Dr Archibald): We are not hearing it, Richard.

Mr Rodgers: OK. Dead on. Thanks.

Those consumers were domestic and businesses. We held eight focus groups directly with representatives of consumer groups and consumers in vulnerable circumstances and living with disabilities, and we surveyed over 150 businesses. That all helped to ensure that consumers are at the centre of our strategy. We also held countless virtual stakeholder engagements with consumers and businesses.

The outcome of the options consultation was that we had overwhelming support for the proposals that we put forward. Support across the 78 questions averaged 85%. That shows that our focus on evidence and a collaborative approach led to the proposals having widespread buy-in.

We are now working urgently to finalise the strategy. As its reach spans the Executive, we need to share it with other Ministers to review before sharing the final draft with the Economy Committee and, subsequently, publishing it, which we hope to do before the end of October.

We absolutely understand the need to focus on delivery and have already begun work on a supporting action plan, which will be published before the end of this year. We have established a programme board that brings together a range of Departments to oversee the delivery of the strategy. We look forward to also sharing that action plan with Committee members before it is published.

To finish, we have a little animation that was used to try to make the consultation more accessible. Thomas will play it for you. It will last for two or three minutes.

Mr Thomas Byrne (Department for the Economy): Thanks, Richard. I will turn my screen round and play the animation.

"Climate change is a reality facing us all. We must all work together and act now in order to achieve net zero carbon energy by 2050 and secure a greener, healthier and more resilient energy future for everyone. We are developing a new Northern Ireland energy strategy that puts you at the very heart of our plans.

We are proud of our magnificent landscape and want to protect this for all who live and work here now and in the future. By working together, we can reduce our carbon emissions and create our energy future, one where we can grow, thrive and prosper on this beautiful land.

Our new energy future will mean big changes for us all and will impact how we live, work and travel. Some changes will be challenging but can create many opportunities, such as good jobs, local investment and better insulated homes and workplaces. We can tackle fuel poverty, create a greener economy and secure a healthier environment and lifestyle for us all to enjoy.

Energy should be affordable for everyone. We want to ensure that the benefits and costs on our journey to net zero carbon energy are shared fairly. We are in this together, and we need you to help us to achieve our goals. Have your say and help us shape Northern Ireland's energy future. Together, we can enjoy a greener, cleaner and more prosperous Northern Ireland."

Mr Byrne: There we go. Thank you very much.

The Chairperson (Dr Archibald): Thank you.

The 283 respondents to the consultation speaks to the huge level of interest in the strategy. The context of the climate emergency and the great deal of public discourse about that obviously impacted on the interest of the general public to respond to the consultation on the energy strategy, given the role that it will play. I was glad to hear that we will hopefully see something before the end of October. One of my first questions was about the time frame for the final version of the strategy. It is useful to be aware of that, and the Committee looks forward to receiving it.

Recalling some of the questions in the consultation document — there were 79-odd questions — is there anything from the responses that you would particularly like to highlight? I know that there were numerous questions, for example, on having a one-stop shop for energy advice and support. What was the feedback on that? Was there any specific feedback on the types of support schemes or

incentives that might be available, or were there different views that it might be useful for the Committee to understand?

Mr Byrne: So —.

Mr Rodgers: Sorry, Thomas. I will say a few words immediately and then hand over to Thomas to give you a bit more detail, Chair.

There was overwhelming support for the one-stop shop. That will be really important for communication and education. If people want to move to zero-carbon fuel in their homes and businesses, we need to give them the right advice and they need to understand how they will do it.

As you can imagine, there was also widespread support for renewable energy, in general, and self-sufficient renewable energy, in particular. I listened to the debate on the Small-Scale Green Energy Bill yesterday. One of the Committee members sponsors that Bill, and he used the word "stagnation". That was an important part of the feedback. We have had no renewable energy support from government for several years, for electricity or heat. It will be really important — it is why I mentioned it in my opening remarks — that, once the strategy is agreed by the Executive, we move urgently to ongoing delivery and that that is monitored very closely.

Mr Byrne: Thanks, Richard. You mentioned that we received overwhelming support for the proposals that we put forward. That is absolutely right. Indeed, there was not a single proposal that we put forward that the majority of people did not support. Even the comments were more about slightly different ways that we might want to think about for taking something forward than opposition to it.

The one-stop shop received very strong support from respondents, particularly from consumers and consumer representatives. In addition to the consultation, we held workshops directly with consumers to listen to them, to engage them in conversation and to find out their key issues. One key message was that there was widespread awareness of climate change and the need to address it; however, in itself, that was not enough to bring about behavioural change. People told us that they need leadership, information, direction and, ultimately, financial support, if we are to deliver the types of behavioural change that we need. That is why the one-stop shop is vital and is key to the consumer principle in the strategy. Indeed, almost 90% of the respondents to the consultation supported it.

From the sessions with consumers, we also found that affordability is a major concern for them. What will it mean for their bills? How will we make sure that people are not left behind? That is why we put affordability front and centre of the vision for the new energy strategy and sought to make sure that, when we develop support, it will be accessible to all and the appropriate protections will be in place for those who are most at risk of being left behind.

We got a lot of really good insight and feedback from consumers as part of the consultation.

The Chairperson (Dr Archibald): Thanks for that, Thomas. That was really helpful.

If I recall correctly, in the document that went with the consultation, you put forward the various scenarios for decarbonisation, such as high electrification, high gasification and a more diverse scenario. Is there specific feedback on that? There is significant discourse at the minute about gas prices, in particular, but also about other fossil fuel prices that are going through the roof and putting real pressure on low-income families in particular as we move into the winter months. We all know that there will not be an overnight move away from fossil fuels, but we are now set on a trajectory for 2030. Is there feedback on the specific scenarios? Have you landed on what the way forward might be?

Mr Rodgers: I will start and then hand over. There is no silver bullet. We have been very clear on that from the beginning, and that is the feedback that we received. That is why the Climate Change Committee (CCC) referred to a "Balanced Pathway". This summer was a good example of the wind not blowing. It has been unusually calm for this part of the world. We need back-up generation to keep the lights on. In order to support electrification through renewable electricity, we will need proper storage, whether that is in the form of batteries or decarbonised gas.

I will address, for one moment, the challenging circumstances that we find as we come into this winter. Along with colleagues in the Department for Communities and the Department of Finance in particular, we are focused on providing support in light of the significant increase in fossil fuel prices. Firmus Energy announced a 35% increase, and SSE Airtricity, which has a majority of customers in the

greater Belfast area, announced a 22% increase, which will apply from 1 October 2021. Very concerning, according to the Consumer Council's weekly survey, the year-on-year increase on heating oil prices since last September has been 70%. This winter will be challenging, and we are trying to work out how to deliver some short-term support to consumers to heat their homes and to keep people healthy during the winter.

That is why Thomas referred to affordability as being important as we develop a balanced pathway to net zero. There is an exciting opportunity in that, for over 100 years, we have been subject to the volatility of fossil fuels. That was coal, initially, and then oil and gas. Brown crude prices are up to \$80 per barrel, which has doubled from \$40 per barrel over the past year. That is the volatility, and we have seen the consequences of that. The balanced approach to the future — the balanced scenario, if you like — is to try to produce as much energy as possible from our own resources, whether that is wind, solar, hydro or biogas from the land. That will enable us to have a more stably priced energy future. Of course, we have to remember that energy efficiency must come first, because the most cost effective unit of energy is the one that we do not have to use.

Is there anything that you would like to add, Thomas or Meabh?

Mr Byrne: Thanks, Richard. We got three key components from the responses to the consultation and other evidence that we looked at, and those will be incorporated into the strategy. As Richard said, the first of those is energy efficiency. Any scenario that we put forward in the consultation included significant reductions in energy use. No matter what we do about our energy sources, that will always have to be first. That will be first and foremost and part of the strategy that we bring forward. There will be a really strong focus on putting energy efficiency first.

A second key message was about making sure that we not only make the most of our current renewable electricity resources but grow and expand on that. There is a lot of support for a target of at least 70% of electricity coming from renewable sources by 2030. There was support for putting in place support for heat pumps to start to electrify heating. There was also support for infrastructure for electric vehicles to help to electrify transport. Alongside energy efficiency, growing our renewable electricity base and widening the reach of electricity will be important.

A third message was that we will need diversity in our energy mix. It cannot just be about electricity and the renewable electricity sector, although that will be a key part of it. We also need to take forward trials, demonstrations and pilots of a wide range of energy sources as part of our energy mix. That might mean decarbonised gas, biomethane or hydrogen, or geothermal energy. It is not just about the technologies but about how they work in consumers' homes, for example how heat pumps work in different houses and circumstances.

Those are the key messages from the feedback on the scenarios that will inform how the strategy looks.

Ms Meabh Cormacain (Department for the Economy): I will add a line or two on the scenarios. They have been particularly useful in understanding the system as a whole. We understand that we have to move to net zero energy and that that impacts all energy sectors. It was the first time that scenarios had been developed specifically for Northern Ireland using that model, and they have been a useful tool for communication in policy development and also externally. The scenarios helped to illustrate that trade-offs have to be made when you think of the energy system as a whole. If you make an ambitious leap forward in one sector, that will have impacts on others. Similarly, if you go back on an ambition on, for example, energy efficiency, more needs to be done elsewhere.

We got useful feedback from the scenarios themselves, and we have refined scenarios for the strategy that will be published shortly, modelling a single scenario for 2030 — as with all scenarios, it is modelling and asking, "What if?" — and refining, based on feedback, two further scenarios to 2050.

The Chairperson (Dr Archibald): That is all helpful. Those are important points, specifically on energy efficiency, as reducing our use of energy will be key. It is an absolute no-brainer. The point about it being an Executive strategy is particularly important from that perspective, if we are going to tackle high levels of fuel poverty and ensure, as you said, Richard, that people can have warm homes and all the benefits and necessities that go with that for health, mental health and everything else.

Will the strategy suggest ways in which that will be achieved and, specifically, how to ensure that those who are least able to afford it will be able to access a scheme for energy efficiency in their home?

Mr Rodgers: The simple answer is yes, absolutely. We need to do more and faster, and that is why it is fundamental that we are joined up with the Department for Communities and the Department of Finance in particular. It is also important to link in the Department of Health, because, in the initiative in Belfast in association with the health and social care trust, we have been able to target, collectively, people who are the most vulnerable, have the colder homes and cannot afford to do it for themselves. That has made a big difference. Quite frankly, it keeps people out of hospital and reduces excess winter deaths. We are focused on that, and we need to redouble our efforts, because it will not be done overnight, unfortunately. It will take a clear plan of action over the coming years.

The Chairperson (Dr Archibald): Thank you for that. I will bring in other members.

Ms McLaughlin: Good morning, everybody, and thank you for your presentation. I am sure that you are very pleased with the level of response that you received to the consultation and strategy. That is good news; people are engaged in the conversation now more than ever, and discussion of the affordability, security and sustainability questions has never been more prevalent.

Thinking about when we start to implement the strategy and about buy-in for everyone, what key energy regulation and governance issues hold Northern Ireland back? That is a key issue. You can have all the strategies in the world, but, if you do not have the right regulation and buy-in from government and Departments, they flounder very quickly. A lot of work needs to be done to make sure that we have buy-in and that people understand. There is a public messaging piece in that. Where are you with that? Alongside developing the strategy and doing the consultation, a big piece and a framework have to be built around those for informed governance and regulation.

Mr Rodgers: That question is fundamental. I will immediately go so far as to say that the energy legislative framework is not fit for purpose. In effect, it was established for the privatisation of Northern Ireland Electricity (NIE) in the mid-1990s. It was expanded to include gas because of the advent of gas in the mid- to late 1990s, and it established joint responsibilities for the Department for the Economy, the Utility Regulator and the Consumer Council to develop the energy industry and protect consumers. Over the past 30 years, there has clearly been a deficit. Around 65% of homes use heating oil, but that has never been regulated. Heating oil has never been part of energy legislation, and that protection is not there. That protection is not overly helpful to people when gas and electricity companies announce price increases, but at least it is subject to scrutiny by the Utility Regulator. To that extent, it works, and we know that the prices being charged by what are effectively the incumbent monopolies of the past are scrutinised and fair. In the heating oil sector, we rely on the competitive market, which, to be fair, tends to work. There is no scrutiny of the costs, but, that said, there is good competition.

Looking forward, we have to rewrite the energy legislation, because it has to be about zero-carbon energy. Quite frankly, it will take two to three years to rewrite energy legislation. That cannot be an excuse for doing nothing; we have to do stuff now, and we recognise that. The challenge is that we have to do it in a way that is legal, because you know what will happen. We will end up being the subject of a judicial review if it is not done properly or if we do not have the legislative vires. We have to tread the pathway very carefully to deliver stuff that we can deliver under the current legislation while fundamentally reforming the legislation. Certainly, that will be one of the important work streams in the action plan, and we will be measured by the output of that. We desperately need the resource to do that, because, as you said, it needs to change. For example, the one-stop shop and things for supporting the development of renewable energy will have to be explicitly included in the new energy legislation. We are and will continue to be very focused on that. We certainly do not want it to be a reason that we cannot act, in the short term, to do the right thing.

Ms Cormacain: There is another point about communication. It is fundamental. Thomas referenced how the consumer workshops and consumer engagement that we held told us that there is a dearth of trusted information. There are those who do not know that changes need to be made and those who are aware but do not know where to go or enough about it. The one-stop shop is crucial in that, but, beyond the one-stop shop, we understand the need for communication from government. It is not for the Department for the Economy to do a solo run on communication on those issues, but we have been talking to and will continue to work with the Departments on the messaging about changes that are coming. Government will need not only to lead on and deliver those changes but to support people through them.

The draft strategy that we have put forward is based on the consultation responses and the workshop engagements that we had, and it runs from information to awareness. That is not a single-year plan or the launch of a strategy; it is a long-term plan from now to 2030 concerning what has to happen and how much time people need in advance of changes to be able to be part of those changes. It addresses the development and delivery of the one-stop shop, which will be crucial. People will want to trust that one-stop shop and its impartiality etc. The draft strategy also looks at the redress and protection frameworks that people might need, as Richard pointed out, because we have regulated sectors and areas in which there are currently no vires for regulation and protection, but they will need new regulation. Within that single principle of placing you at the centre is the support framework for affordability. That came back very strongly in responses: how can we afford this? How can we spread affordability evenly and fairly across different populations and consumer groups over a period. It is upfront investment. We are talking long-term savings, and we need to get the balance right.

Ms McLaughlin: I take your points, but nothing drives behaviours like regulations do, particularly around building regulations for energy efficiency in our homes, but we have a dearth there. That needs to be addressed as a priority. I know that this is not an easy thing to do, and it does not happen overnight, but it has to be a priority in order to drive the efficiencies that we need and to make sure that we are building homes for the future rather than building homes that will be no longer fit for purpose once we enact and move forward with our new energy strategy and policy. The actions that we take today will have an influence on our targets of tomorrow.

Ms Sugden: Thank you for your presentation. My question relates to the energy strategy and how you are working with other Departments to ensure that it will be effectively implemented, specifically around planning policy. It is all very well for us to talk about renewables and the opportunity to provide more renewables in Northern Ireland, but, if the current planning policy does not enable that, we will find ourselves in difficulties. What is your view on the current planning policy? Is it conducive to the strategy that you hope to publish in the next number of months? What is required with regard to the grid and its capacity to ensure that we can fully implement the energy strategy? I have been speaking to various people from the industry, and they say that the planning policy is not there. I have written to the Department for Infrastructure, and it tells me that the Minister just does not get it. I am keen to hear the view of the Department for the Economy on how Infrastructure works with its strategy.

Mr Rodgers: I will start with the grid issues, and Thomas will pick up on planning and our ongoing engagement with the Department for Infrastructure. It is important that investment be made in the grid in a cost-effective way. As Meabh mentioned in answer to the previous question, it is about costs that we incur that get recovered over 40 years. It is intergenerational debt. The right costs need to be incurred now to ensure that we can deliver the renewable energy future, cognisant of the fact that we will be paying for it for a long time. Helpfully, there is good ongoing engagement with NIE Networks, which owns and runs the monopoly electricity distribution network. It is subject to intense regulatory scrutiny. The conversation between the Utility Regulator and NIE has looked to ensure that the grid is fit for purpose and to ensure that investment can be brought forward during the decade between now and 2030 so that we can bring forward and accelerate electrification for electric vehicles and heat pumps, for example, as was mentioned. To give you some comfort, good engagement is ongoing between the network monopoly, NIE Networks, and the Utility Regulator. They are also looking at the potential for a review of connection charges. Again, you are probably aware that we have had feedback on the need for fair connection charges and that perhaps the current policy is not fair. That is being reviewed. Thomas will talk about the big issue of planning policy, which will enable us to move more quickly towards a renewable mix.

Mr Byrne: Yes, thanks very much, Richard. This highlights the importance of our approach thus far in making this an Executive strategy that brings together multiple Departments, because we cannot look at these things in departmental silos. The Department for Infrastructure, which has responsibility for planning, has been heavily involved in the development of the strategy. Indeed, it is really important that, as we develop policies in this space, we do it together across government rather than one Department doing it in one area and others trying to play catch-up. That is why it is really important that, as we have been looking at the renewable electricity target and how we meet that, we have established a power working group, and the Department for Infrastructure planning team is part of that. It means that DFI and the planning team there are fully aware of the policies that we are setting. Indeed, you will be aware that, fairly recently, DFI published a consultation on planning for renewables growth in the future. Again, that is a really positive development and will help to inform the approach in this area.

Richard mentioned the need to invest in the grid and to make sure that it can accommodate further renewables. One of the principles in the energy strategy is around creating a flexible and integrated energy system, of which the electricity grid will be an important part. It is not just about investing in the grid, which is needed, but about how we can make better use of the grid and work smarter. We can do that through things like smart technologies, demand-side response, storage and so on. We will take forward a number of aspects of this to help to deliver on that target.

Ms Sugden: Thank you for that. I appreciate it. I also appreciate the intention around working together, but is that actually happening now? I have questioned the Minister for Infrastructure and put her responses to the industry, and it says that that is not happening on the ground. We can talk about working together, strategies and moving towards a target in 2030, but these issues are presenting themselves now. The technology around renewables is changing quite rapidly, so, by the time the Departments or the Executive get round to putting things in place, there is a good chance that that technology will already be out of date.

I am working on a constituency case at the minute. In my constituency, a quite significant business has had its renewable energy source turned off, and it has been told that, because of bureaucracy in NIE, it will be two years before it can be turned on again. I appreciate what you are saying and the intent, but, on the ground, this does not seem to be happening, and those actions do not really seem to be being taken forward. I am keen to hear what is happening now. Let us stop working towards a target, because it feels like we are always doing that rather than getting things done.

Mr Rodgers: Yes, it is happening now. We had an example in recent times involving planning over battery storage, and there was good collaboration between us and the Department for Infrastructure on that. Is it perfect? Absolutely not. We continue to work on changing the habits of the past. We understand your challenge about the fact that it does not seem to be happening fast enough, and we all need to redouble our efforts.

Mr O'Dowd: Thank you for your presentation. I noted a story on RTÉ this morning about the regulator in the South warning that there could be supply shortfalls in the Southern market over the next five years as a result of an increase in demand on electricity. It may also be as a result of poor planning on infrastructure and energy provision on its part. What is the estimated potential increase in electricity demand in the next five years? Are we confident that we will be able to meet that demand?

Mr Rodgers: That is a very challenging question. Today, EirGrid and the System Operator for Northern Ireland (SONI) issued their annual capacity statement. They are obliged to do that under the regulations in Northern Ireland and down South. That landed this morning. You are absolutely right: you can see the pressures that are building up on the development, particularly down South. That is driven by two things, one of which is the development of a significant load increase through data centres. I think that I read that there are now 67 data centres, some of which are quite large. Many of those data centres have not come with an energy supply, which puts pressure on electricity capacity. Also, significant fossil fuel plant there, including the peat generator, is being retired, which puts pressure on the supply side. That has a small impact on us at the moment, inasmuch as we might sometimes want to import electricity through the North/South interconnector when the electricity might not be there. We have the resilience of the east-west interconnector from Wales to Ireland, however, and the Moyle interconnector from Scotland into Northern Ireland. It is all about getting a balance.

You asked about growth in Northern Ireland. I will start by saying that energy efficiency will mean that there will be a reduction to some degree of electricity demand along the way. At the same time, there will be an increase in demand due to electric vehicles, which will be driven by the motor manufacturers — that is already starting to happen more readily on the streets — and through heat pump technology and the electrification of heat.

There will, therefore, be growth. One of the interesting things is that the target of 70% renewable electricity by 2030, which is in the options consultation and was well supported, will require at least 1,000 MW of new renewable electricity capacity. As you will know, we are leaders in renewable electricity at the moment, despite not having had any support for renewable electricity for the past five years. Around 45% of our demand is satisfied by renewable electricity sources. That leads to our being leaders in curtailment — for example, by switching off turbines when demand is not there, especially overnight. The balanced system that we talked about, and getting involved with hydrogen production, is quite interesting, because it involves the potential storage of energy. It is about making a wind turbine useful rather than just switching it off. As we grow capacity to get to 70%, however, there

is a risk of additional curtailment and additional redundancy. That is where the balanced system will be important.

To answer your question in the round, we expect that, by achieving 70% renewable electricity by 2030, we will more than meet the increased demand and will also be able to test quickly the balanced system of using battery and hydrogen storage to effectively keep the lights on. That is important, because that is where this morning's reports point to: the first and most important thing is to keep the lights on; the second most important thing is that electricity needs to be affordable for people; and the third most important thing is, ultimately, the decarbonisation of the whole energy mix.

Mr O'Dowd: OK. That leads me to my next question. The report about EirGrid is interesting, and it has to be taken seriously, but those who have interests in fossil fuel can be seen to be the winners from it, because fossil fuel centres have to be either kept open or reopened. Concern is then spread among the public that renewable energy is not reliable, that we are not ready for it and that it does not give security of supply. That brings me to the report published by the Public Accounts Committee (PAC) last week. The prelude to recommendation 4 says:

"The committee recognises and accepts that there will continue to be a need to seek assistance from and place reliance on, specialist consultants and other industry experts. However, there needs to be an awareness that some submissions will come from organisations with vested interests and these need to be treated with an appropriate level of professional scepticism."

In terms of the consultation responses that you have had to your energy strategy and the recommendation that follows from what I just quoted, it is quite clear that there needs to be scepticism about, or certainly detailed scrutiny of, submissions from those who have interests or are stakeholders in this game. Energy production is a hugely profitable industry to be involved in. It has major stakeholders and players who may be reluctant to change or who see that they may lose out as a result of change and a move to renewables. What is the Department doing to ensure that those with powerful voices are not setting the agenda?

Mr Rodgers: I will start, and I will let Thomas explain subsequently. We can only agree with recommendation 4. We have to approach the issue of vested interests very carefully. We are acutely aware of that and have been since we started on this journey two years ago. We need the right balance. We will need investment. The Climate Change Committee, in its sixth carbon budget and balanced pathway for Northern Ireland to get to net zero carbon by 2050, suggests that, by 2030, we will have to invest around £1.3 billion annually. Of that £1.3 billion, maybe 25% will come from the public sector, but the balance will have to come from the private sector. What is clear is that consumers will pay for it all. It is fundamentally important that that is done in the correct way.

What we have in Ireland is a whole-island market — the single electricity market, to which you referred. That single electricity market keeps the lights on, hopefully at the most affordable price. It runs the capacity options to ensure that we can keep the lights on. It provides a daily dynamic to ensure that we pay the lowest possible price. However, what is clear is that, when the wind blows, prices tend to be lower, and when the wind does not blow, prices tend to be higher. That is a factor of the fact that, at the moment, in Northern Ireland, the backup fuel is either coal or natural gas. As we talked about earlier, those prices have risen dramatically. However, on the plus side, the marginal cost of producing electricity with wind is close to zero, because the wind itself is a free fuel. It is all about the capital that has been invested.

Coming back to the PAC report: yes, we have accepted the recommendations. The Northern Ireland renewables obligation (NIRO) has been a success in getting us into the 40s with regard to the percentage of renewable electricity. We will need some support to get to the 2030 target. Coming back to your specific question: we have to be wary of vested interests. We must have the expertise in the Department. We have been building up that expertise, especially over the past couple of years, and learned the lessons — for example, from the inquiry into the renewable heat incentive (RHI). We will ensure that, in our engagement with industry, we understand the potential for vested interests, as you put it, to take us in the wrong direction. We are acutely aware of that. Do you want to add anything, Thomas?

Mr Byrne: Thanks, Richard. There are a couple of things. First, our approach to that has really been based on two things. One is evidence. We launched the energy strategy with a call for evidence to get that point across. Secondly, we have to ensure that that is informed by everyone, not just a small group of vested interests. We got 161 responses to the call for evidence. Over half the responses did

not come from the energy industry. That gave us a really strong broad range of evidence to look at in developing the energy strategy. Over 70 individuals from over 30 organisations are represented on the working groups that we set up to analyse, review and help to inform further evidence on those responses. Again, that is a broad cross section of interests to provide evidence, which, ultimately, is for government and the Department to review.

With regard to the consultation, we have seen the efforts that we made to reach way beyond the energy industry and get the views and opinions of people who would not normally respond to those type of things. Again, over half the responses that we are getting to that are coming from consumers and are about what they want and what works for them. That all helps to shape the energy strategy and ensure that what we put forward in it reflects the views and evidence that we have received from across the piece, not just from a small group.

Mr O'Dowd: This is more of a comment than a question: I am not simply talking about those who are involved in the single electricity market. Obviously, there is also a lobby in the renewables sector who will have ideas and agendas, and some of them will have unintended consequences. I note that you are taking recommendation 4 seriously. It is vital that issues around vested interests are examined closely.

Mr Weir: Thank you for the presentation. It has been interesting to see the various backdrops that all of you have on StarLeaf. I am wondering whose guitar that is.

Other members probed some of the areas that I was looking at. I will try to keep my remarks fairly succinct. Earlier, the legislative framework not being fit for purpose was mentioned. I appreciate that we are probably a few weeks away from the publication of the final strategy. Will you give us some insight into that? Is the strategy likely simply to flag up that the legislative framework needs reform, or is it likely to contain specific proposals for how that framework should change?

Mr Byrne: Legislation has been identified as one of the key priorities for us to deliver on this strategy. We understand that there is a major programme of work to be taken forward on the legislative base. When, following the strategy, we come forward with an action plan, it will be part of that work.

Legislation follows policy. You have to understand what you are trying to achieve and what you want the policy to achieve, and the legislative base follows that. That is why what is in the strategy and the direction of travel are important. Developing the policy is important, as is making sure that the legislation follows that. As you say, flowing from the strategy, a major work programme will have to be delivered.

Mr Rodgers: May I qualify the statement about the strategy being "fit for purpose"? It is fit for purpose for the electricity and gas industries of today, but it does not address the heating oil industry, and it certainly does not address the challenge of renewable energy going forward. Those are the key things that need to be addressed.

Mr Weir: The issue is about it being, to some extent, incomplete.

A number of members picked up on the importance of collaboration, which is very much at the heart of what you have planned. In my experience of government, there are two bits, and I will ask about them simultaneously. I note, for instance, that you have a cross-departmental working group — the project team — and you indicated that it has had nine meetings. Quite often, where collaboration is required between various strands of government, things can fall down in two areas. First, although the lead Department can be very committed to trying to achieve particular objectives, for other Departments, they can be seen, to some extent, as secondary. Therefore, there can be a frustration in government that the lead Department finds external factors coming in and, effectively, blocking what it wants to do. Earlier, Claire touched on planning, to take one example. The first question, then, is this: to what extent will the delivery of the energy strategy be dependent on direct inputs from other Departments? To what extent can delivery be driven by Economy?

Claire also touched on the second area where things can fall down. Often, the experience is that it is relatively easy to get the people at the centre of Departments to sit round the same table and agree the same strategic objectives, but it falls apart in the delivery when practitioners on the ground do not necessarily operate with the same level of collaboration or urgency. Are you developing mechanisms to ensure that you can sustain that push for delivery on the ground? Will you monitor to make sure that it happens? In the past, we have seen this problem with a number of things, most notable of which

were issues around cooperation on children's services: there was a drive and acceptance at the top level, but, sometimes, the practitioners trying to fit the jigsaw together at the bottom were not operating on the same page as those in the upper echelons of government policy.

Mr Byrne: Thank you. You touched on two important issues for the strategy and its delivery. The first is about buy-in and making sure that the strategy has appropriate support across the Executive. Our approach thus far has made sure that officials from many Departments are heavily involved in the development and drafting of the strategy. That is why it is important that it is not a DFE strategy but an Executive strategy that all Ministers sign up to. That will drive the support and buy-in across the Executive, making sure that it is not a primary concern for one Department and a secondary concern for another; rather, it is a priority for the Executive.

Delivery is really important, and we have a good basis to work from. The fact that we developed the strategy together makes it much easier to deliver it together. However, we cannot just rest on our laurels and see what happens off the back of that.

Mr Weir: Just on that, sorry —

Mr Byrne: That is why I mentioned that we have developed a programme board, and we have already had the first meeting of that. That brings together senior representatives from across the Departments who are responsible for various bits of energy policy. The job of that group will be to oversee the delivery of the action plan. That is about delivery and what happens on the ground. It is about the collective responsibility and ownership needed to drive that forward.

Mr Weir: Whether the strategy is delivered from within the Executive or beyond, is it likely to have an external monitoring component? For example, a few months ago, the expert panel on educational underachievement produced its report. The bulk of its recommendations were around delivery in the education sector, whether by the Department of Education, the Education Authority, schools or a range of other organisations. One of its recommendations was that TEO, for instance, produce a monitoring report. To some extent, an external body would mark homework on delivery. Has there been any consideration of any form of external monitoring of how the strategy rolls out, or is it envisaged that that will be done in-house using expertise in the Economy Department?

Mr Rodgers: You are asking quite a philosophical question —

Mr Weir: I know. We are almost in the realms of 'Father Ted', but fire away.

Mr Rodgers: Effectively, the question that you are asking is this: as this is an Executive strategy, who will hold the Executive to account for its delivery? At this point, we do not intend to appoint someone external to monitor delivery. We have, on the other hand, had significant external advice from the appointed external advisory panel on the development of the strategy. It may well be that the concept of external advisers to monitor the delivery of the strategy will be taken forward. We have not finally decided on that yet. Certainly, it is the Executive's responsibility to ensure that the energy strategy, which sits under the umbrella of the green growth strategy — the overall climate change strategy — is delivered.

Mr Weir: The point that I was making was that one possible route could be something that is external to government. The issue is whether there is any level of monitoring if, effectively, although it is an Executive strategy, DFE is the principal driver over the next number of years. The issue is whether there is an internal mechanism in the Executive. As I said, using the example of the educational underachievement panel, it is not necessarily that any additional external support is being brought in to monitor, it was that the monitoring of what was happening across the piece was to be put under the ambit of TEO, for instance.

We are all aware, particularly from a cost point of view, of the dangers of having another layer of external consultants looking at things. If the whole Executive are to buy in to the strategy, and if it is to sustain beyond individual Ministers or remits, to what extent can we get something that ensures that drive throughout the Executive?

Mr Byrne: That is a very fair point. We want to be as transparent as possible. That is why we want to commit to producing an annual report on the strategy's progress. That will allow insight into and challenge of how we are delivering against that. It is important that we do not see this as entirely

separate from the work on green growth and climate action, on which DAERA leads. Structures will be put in place to monitor and report on that. The energy strategy accounts for around 60% of emissions and will, of course, feed into that. You have made some fair points that we can take away and consider. We will speak to our colleagues across government about the future monitoring of the strategy.

Mr Weir: OK, thank you.

The Chairperson (Dr Archibald): Thanks, guys. No other members have questions — sorry, Mike.

Mr Nesbitt: Not a problem. Thank you, Meabh, Thomas and Richard, for your engagement with the Committee. If we can agree that we have a broad understanding of the journey that we want to undertake and the destination that we want to reach, we might also agree that the main tools that we need to undertake that journey are policy, planning and the grid/storage. My question is this: what are the pinch points? What areas give you most concern?

Mr Rodgers: *[Pause.]* All of the above. As the member said, it is a very complex area. We have done our best to slice and dice it in such a way that is understood more widely, and we were able to talk to the various entities across government who will be responsible for delivery of the various parts that will come together to create what will, effectively, be net zero. You captured it quite well: it is all about policy, planning and the enabling infrastructure.

Thomas, what keeps you awake at night?

Mr Nesbitt: The Economy Committee? *[Laughter.]*

Mr Byrne: As we take this forward, one of the important things will be the need for significant investment. We know that that investment will pay off and will deliver against decarbonisation and affordability. However, we need to do this in a way that is cost-effective, that provides value for money and that is distributed across the various groups. If money and value for money were no object, we could do anything at any time, but money is a really important part of this.

It is about how we identify a cost-effective trajectory and the cleverest ways of setting up the policies and supports that we will need to do it. That is why there is an ongoing process to understand not only the direction of travel and where we want to get to but the detail of the policies that we will need to set up, develop and refine over time to get them right.

Ms Cormacain: To policy, planning, grid and cash, I add communication. We are talking about a strategy. At a high level, many agree with what we are doing in this strategy. They want action, they want leadership, they want net zero, and they want the climate to survive for future generations. Really, there is no argument about any of that. However, when we deliver the strategy, what we are really talking about is making changes to people's lives. An awful lot of people see action on climate as something that they will watch from the sidelines. We get that feedback from consumers, and we even heard that during recent workshops and engagements on the consultation. There is something of an audience change coming.

As government, we have to do the heavy lifting and put the infrastructure in place. We also have to ensure that the policies are there and ready for people, that the advice is ready for people to access and that it is advice and information that they can easily find, no matter where they live. However, at the end of the day, it will mean changes to people's lives. It will change how they travel around, how they get to work, whether they go to work and, in some cases, whether they sit at home, as we all are now. People's homes are where we will face our biggest communication challenge. People are very comfortable in their homes. If they have a nice home, they do not necessarily want floors to be taken up or new pipes put in. Those are the changes that we are talking about: real changes to people's homes. So, I would add communication, awareness raising and buy-in across the general public: domestic consumers, businesses and beyond.

Mr Nesbitt: That is very useful. Thank you. I agree that buy-in is very important. Perhaps, that is where John O'Dowd's microgeneration Bill comes in, in that it makes people players rather than spectators.

Ms Cormacain: It is one of the areas that we know that people can be part of. We believe, and we have found this in our consultation and engagements, that some people want to become actively engaged in the energy transition and are excited about it. They may already have an electric vehicle and are looking at energy storage. There is some exciting work happening in Northern Ireland through which people can become active players in the energy market. When people have the technology in their homes that allows them to see how much energy they are using, perhaps on a half-hourly basis, they will become more aware and might become more interested. However, that will not be for everyone. An awful lot of people do not even open their electricity bills when they arrive.

We have to be prepared for the full spectrum: for those who are engaged, who want to become engaged and are excited about the changes that are coming; and those who simply do not care very much and will not want significant disruption to or too much cost in their lives. It will be about trying to accommodate that full spectrum of consumers.

Mr Nesbitt: Great. Thank you very much.

Mr K Buchanan: Thanks for your information so far. My question relates to a point that Claire raised on connection charges, which were discussed yesterday during the debate on "John's Bill", as we refer to it. Richard, you referred to the fact that you are doing a policy review of connection charges. What is the timeline for that? At what point will it become affordable for people to make more connections to the grid, for whatever reason, be it renewables, new buildings, industry etc? How long will the review take, and what will it mean at the end? How do you take the monopoly away from those who currently have it?

Mr Rodgers: I will address the question directly: the initial, ongoing conversation is between NIE Networks and the Utility Regulator. The Department, of course, is very interested, because it is about the policy framework inside the legislative framework. For example, the natural gas connection policy is different from the electricity connection policy. Maybe some lessons about how costs are shared can be learned from the gas connection policy. That is part of what you refer to.

You mentioned taking the monopoly away. There is connection competition in GB. Quite frankly, there are many instances of it not working and consumers ending up paying more. Having regulatory scrutiny and the right policy in place are probably the most important things. Certainly, from our perspective in the Department, we are very interested in and keen to see the outcome of the active conversation between NIE Networks and the Utility Regulator, to ensure that we can facilitate properly the growth in and connections to the network, especially when we will need more connections for the development of renewable solutions, particularly EV charging, heat pumps, wind power, solar power and so on. We recognise the need for reform. We are very much engaged in helping the conversation along between the Utility Regulator and NIE.

Mr K Buchanan: Richard, ultimately, who has the power? There is a two-way conversation, and then there is a three-way conversation. Ultimately, who has the power to drive down connection charges?

Mr Rodgers: That is a decision for the Utility Regulator, but it may come to the Department for some comfort. If the regulator decides that there needs to be some reform, it may, in advance of any legislative reform, come to the Department for some advice and comfort. It is a three-way conversation, but it is primarily a decision for the Utility Regulator at this time.

Mr K Buchanan: At what point — you may not know the answer to this, to be fair — do you see the Utility Regulator coming to the Department? We assume that the regulator will come and say that connection charges are too costly. What is your guesstimate of a timeline for that? Will that happen?

Mr Rodgers: It is a live conversation. That is all that I can say. We see it happening sooner rather than later.

Mr K Buchanan: Thank you, Richard and everyone else.

Mr O'Dowd: My question follows on from Keith's point. As part of the energy strategy, will the Department make any recommendations on connection charges, call on the regulator to do something or suggest that further legislation is required to deal with the issue?

Mr Rodgers: Thomas, you can keep me right on this. The answer is no. That does not need to be addressed in detail in the energy strategy. As I mentioned a moment ago, it can be tackled now under the existing regulatory policy.

Mr Byrne: Richard, you are absolutely right. It is a really important issue, but it is not specifically covered in the strategy, because it is part of one of the many things that we need to do to meet the at least 70% target. We will not dwell on that in the strategy itself, but it is a really important part of what we are doing at the moment and what we will do following the strategy.

Mr O'Dowd: Will it be tackled?

Mr Rodgers: The simple answer is yes.

Mr O'Dowd: OK. I like simple answers.

The Chairperson (Dr Archibald): I have two quick questions, and they come from Peter's questions. Going forward, do you see the one-stop shop providing an advisory role on energy to the Department and the Executive? Do you see it being along the lines of the Sustainable Energy Authority of Ireland (SEAI) in the South?

The second question is about the legislation and the legislative framework for energy in general and about the obligations of the Utility Regulator specifically. One of those obligations remains to promote the development of the gas industry. In my view, that is not particularly appropriate at this point, given all the issues with gas prices. There is also the matter of giving the Utility Regulator a specific duty to promote decarbonisation. Can those things be done immediately, or will they have to happen in what you described as the couple of years that it will take to put in place the type of legislation that is needed?

Mr Rodgers: I will ask Thomas to address the first question, and I will come back to the point about the promotion of the gas industry, if that is OK.

Mr Byrne: Yes. Thanks, Richard. As I said, the proposals that we put forward in the consultation in relation to a one-stop shop were strongly supported by almost 90% of respondents. Through engagement with consumers, we saw the type of thing that they need, such as information awareness and support. We also saw the benefits of doing that through a one-stop shop: having one person to whom you go to speak to about those things, who is impartial and whom you can trust. That will be important for driving forward the energy transition. The focus of a one-stop shop would be consumers. The big task of driving the behavioural change that Meabh talked about is there.

You mentioned the SEAI. That is a really good best practice model of what can be done in this space. We reviewed a number of examples. We looked at SEAI, but some really good things are happening across in England, Scotland and Wales as well. Various organisations help people there. On that front, there are good examples from which we can lift in what we do in Northern Ireland.

Mr Rodgers: Turning to the question on natural gas, I will start with prices. The price impacts this winter that we talked about at the beginning of the session are concerning. It is not just a natural gas challenge; it is a natural gas and heating oil challenge. I mentioned the terrible 70% year-on-year increase in heating oil prices that sits alongside the 35% and 22% increases in natural gas prices. That is not good for consumers this winter, especially lower-income consumers.

Re promoting the gas industry, Thomas talked about being evidence-based. It is clear that, when someone switches from an inefficient oil boiler to a modern natural gas system, they reduce their carbon footprint by the best part of 50%. Natural gas is therefore on the decarbonisation pathway, but, of course, it is still a fossil fuel. This summer has shown us that, when the wind does not blow, we need to be able to produce energy/electricity from a thermal plant. One of the big challenges that has been experienced across Europe, particularly in Germany, is that peak electricity demand tends to happen on a January day when it is dark and cold. If that happens to coincide with what the Germans call dunkelflaute — there is no wind — there is a challenge to keep the lights on. As we said at the beginning, keeping the lights on is the first priority, affordability is the second priority and decarbonisation is the third priority.

At the moment, in the balanced pathway, there is a position for decarbonised gas providing the storage for keeping the lights on. When the wind blows, we can store the electricity in batteries, but that tends to be short term. Alternatively, we can store the energy in gas by converting the electricity to decarbonised gas. That is where green hydrogen comes in.

In principle, the continued development of the gas industry is on the pathway, but it will only remain on the pathway provided that it moves to decarbonised gas, which is gas without carbon. The latest thinking of the Climate Change Committee and others is the concept of a hybrid heat pump, whereby most homes would provide their baseload from renewable electricity, and, when the demand for electricity is there, and the wind is not there, they would provide it with decarbonised gas. One of the potential pathways to the future is that the gas system will be for storage and that less gas will be used, but it will be there for support to keep the lights on and keep homes warm whenever the wind does not blow.

Of course, if we do not get to the point of having enough decarbonised gas, the answer will be slightly different. As things stand, the right thing to do is to continue the development of the gas industry, because it supports the decarbonisation pathway.

The Chairperson (Dr Archibald): Specifically, Richard, on the legislation that is required, we need, in my opinion, to be specific on decarbonised gas, if that is what is being put forward by the Department. That is also important in relation to giving the Utility Regulator a duty to promote decarbonisation and in terms of investment in infrastructure. The decisions being taken now by the Utility Regulator are based on current obligations and are not fit for purpose in moving towards net zero.

Mr Rodgers: You make an important point. We look forward to coming back to the Committee, sooner rather than later, to talk about the legislative changes that are needed to support decarbonisation across the energy mix and across the integrated energy system — power, heat and transport.

The Chairperson (Dr Archibald): Thank you. That is everything for today. We look forward to having you back after the publication of the strategy. Hopefully, that will be at the end of October or the beginning of November. Thanks for your time this morning.