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**Looking to the future of
renewables support: What is
the best way forward for
Northern Ireland?**

Presented by Richard Murphy

22 November 2016



Pinsent Masons

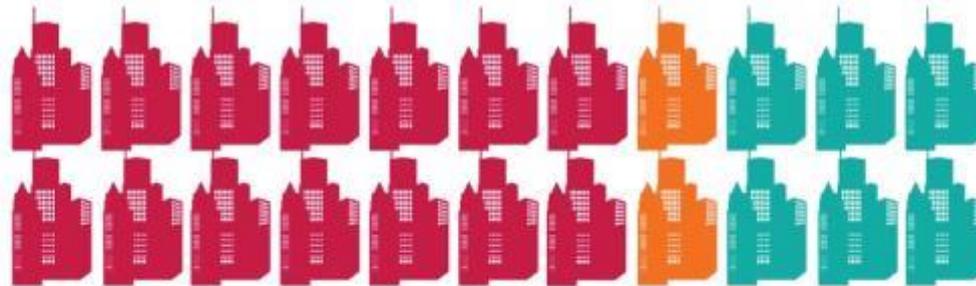
Agenda

- Introduction
- Implications of Brexit for renewables in NI
- Renewables in the I-SEM
- Future options for support
 - GB CfD
 - NI specific CfD
 - All-Island support scheme
- Conclusion

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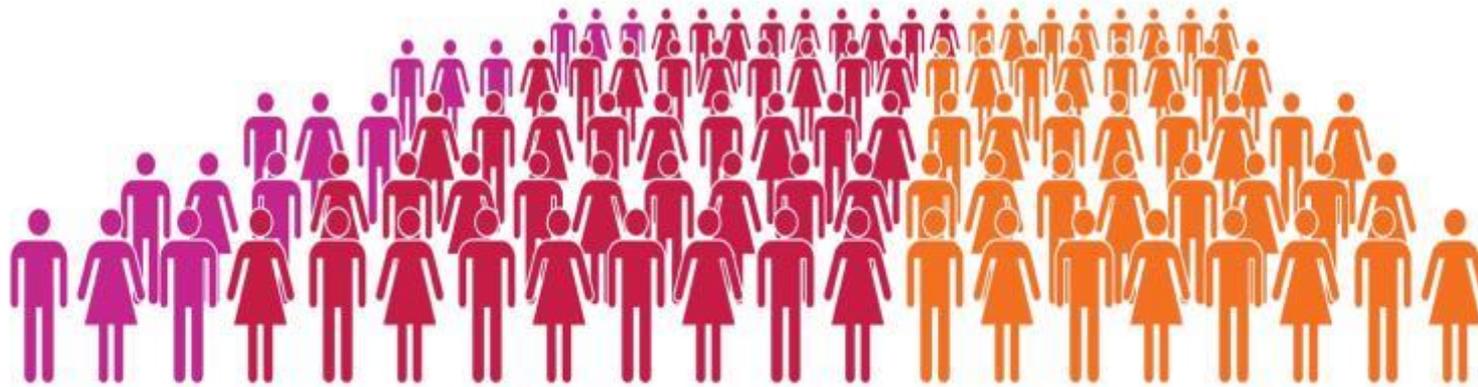
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annual turnover



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(*incl a representative office in Brussels)

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6 Asia Pacific offices



420+
Partners

1,600+
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1,000+
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3,000+
Total workforce
(August 2016)

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Top Ranked

Ranked as top tier by Chambers for energy work in Northern Ireland



Acquisition of Viridian

Advised I-Squared Capital on recent acquisition of Viridian Group



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Project Douvan

Advising a bidder on the Gaelectric portfolio (op



UK and Ireland Transactional Support

Advising NTR on a number of onshore wind transactions



Implications of Brexit for renewables in NI

- Brexit, in whatever form, unlikely to change the UK's climate change goals (domestic legislation in place / UK a forerunner)
- Brexit could potentially offer more freedom / flexibility to determine energy mix and subsidy support actions (unconstrained by EU state aid rules)
- Importance of market access and integration is demonstrated by the SEM
- I-SEM Project has merit beyond European compliance: very unlikely to be a casualty of Brexit ... but could it be delayed?
- Could we staple an all-island support mechanism alongside I-SEM in a post-Brexit world?
- The implications of Brexit depend heavily on the sort of relationship that will follow

Renewables in I-SEM: Overview

- Wholesale market due to transform by end of 2017
- Involves significant change to bring Irish market into compliance with requirements of European legislation
- The new ETAs could dramatically alter how renewable generators interact with market
- Market structure to alter from a gross pool market with a CPM to an energy-only market (day ahead, intraday, balancing and imbalance market) and new CRM
- Creates a new foundational principle of “balance responsibility”
- May create a challenge for variable generators, particularly wind farms

Future Options for NI: Adopt the GB CfD

- Path proposed by UK Government (DETI Minister consent, State Aid clearance was UK-wide).

Advantages	Disadvantages
<ul style="list-style-type: none">• We have the GB template (quick and easy to design)• Consistent with rest of UK• Limited areas of change (reference price, local market issues, etc)	<ul style="list-style-type: none">• Inefficient investment across I-SEM (generators will focus on best subsidy rather than best site)• Why is energy devolved if London decide?• Allocation risk: costs certain, benefits not (particularly so if onshore wind in NI cannot bid)

Future Options for NI: Adopt an NI Specific CfD

- Brexit may offer more flexibility for NI if free from EU state aid restrictions
- CfD budget/pot for NI, DETI set NI strike prices and technology categories, separate auction for NI projects.

Advantages	Disadvantages
<ul style="list-style-type: none">• Using policy levers to work for local market• Optimise local economic benefits• Making support scheme fit better with local conditions	<ul style="list-style-type: none">• Costly and time consuming to design and implement (new State Aid approval in the short term?)• Add complexity for some investors (different system to GB)

Future Options for NI: All-Island Support Mechanism

Advantages	Disadvantages
<ul style="list-style-type: none">• Greater uniformity across I-SEM• Simpler for investors (no allocation risk in NI)• Cost to consumer has been good value for money under REFIT• Eligible technologies under REFIT (solar, offshore to be added? Consultation on design options ongoing)	<ul style="list-style-type: none">• Value of REFIT support v CfD is lower• Brexit raises a number of significant issues• Design and implementation costs in introducing REFIT and associated funding mechanism into NI

Conclusion

- Policy needs to move forward, not backward
- Time in NI to make a commitment: investor confidence is partly about contracts but also and crucially about wider stability of policy direction
- Overall economic benefit to NI from achieving higher levels of renewables up to 40% and these projects need a route to market
- NI cannot (and should not) leave the renewables stage at this point...

Thank you



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