

Welsh Affairs Committee

Oral evidence: Floating Offshore Wind in Wales, HC 827

Thursday 19 January 2023

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Members present: Stephen Crabb (Chair); Geraint Davies; Ben Lake; Rob Roberts.

Questions 88 - 115

Witnesses

I: Julie James MS, Minister for Climate Change, Welsh Government; Edward Sherriff, Deputy Director of Energy, Welsh Government.

Examination of witnesses

Witnesses: Julie James MS and Edward Sherriff.

Q88 Chair: Good afternoon and welcome to this meeting of the Welsh Affairs Committee where we are continuing our inquiry into floating offshore wind in Wales. We are delighted to be joined by the Welsh Government Minister for Climate Change, Julie James, Member of the Senedd, and also by the Deputy Director of Energy for the Welsh Government, Ed Sherriff. Welcome. I will ask Rob Roberts to lead on the questioning for the first section.

Rob Roberts: Good morning, Minister and Mr Sherriff. It is a pleasure to see you both again. We will start with a generic ease into the topic of why you think, Minister, an offshore wind industrial strategy is needed for the sector in Wales and what you are doing, if anything. Are you still pressing the UK Government to develop an offshore wind industrial strategy? Have you had a response from the UK Government on that?

Julie James: We think a strategy is very important because one of the things that every single developer has said to us, and indeed all the people who want to be part of the supply chain and the ports have said to us, is what they want more than anything else is certainty into the future of an investment stream that enables them to put in up front investment. To give an example, we have an auction going on at the moment for 4 GW but we think that the opportunity in the Celtic sea is much greater than that. To unlock the investment boards for the ports, for example, and the investment opportunities for the big renewable developers, we need to have a foreseeable pipeline into the future. We also want to develop the supply chain in Wales and fill in the supply chain gaps. Without a strategy for the development of the sector into the future, it is hard to unlock the investment potential for that.

On Government investment, we are happy to step in where we can. We hope the UK Government will also step in where they can, but you don't want to be spending public money on up-front investment if you are not sure that the investment opportunity will go on into the future. We think that the Celtic sea has enormous potential—way bigger than the 4 GW we have at the moment—but we need that strategy to give certainty to unlock the private sector and public sector investment that we need to maximise the opportunity.

You asked if I am pressing the UK Government and I certainly am pressing the UK Government to do that, yes.

Q89 Rob Roberts: What feedback have you had from them so far?

Julie James: We are working fine with the UK Government. We are very pleased with what has happened so far, but we want future certainty and a pipeline into the future. I don't want to give the impression that we are



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not working well with them at the moment, but I think we could go faster on the future pipeline industrial strategy.

Q90 **Rob Roberts:** Perfect, thank you. You mentioned the 4 GW opportunity and I think you said the opportunity is much greater than that. What is your assessment of the scale of the opportunity?

Julie James: I am no expert in this. I am only reporting to you what I am told by the developers and by meetings with the Crown Estate. I am sure that the Committee is taking evidence itself.

We are hearing that 20 GW is certainly possible and it may well be that it is even greater than that. This is a new industry that has lots of potential, but we are hearing that 20 GW is well within reach. If we had a strategy that took us from 4 GW to 20 GW, we would be able to get the investment stream in place for that level of investment for the infrastructure and the supply chain and that would unlock a wealth of opportunity. That is where we are at the moment, but I think probably there is more opportunity than that once the industry beds in and becomes much more normal than it is at the moment.

Q91 **Rob Roberts:** Minister, thank you. You answered earlier about your interaction so far with the UK Government as being quite positive. Do you think that they share your vision? Is the vision that you have for floating offshore wind, particularly in the Celtic sea, one that they share, leaving the strategy aside, for a goal of where you are trying to get to?

Julie James: Yes, I think the UK Government understands the strategic importance of the floating wind opportunity around the whole of the UK shore. We are pushing for a specific strategy that includes the Celtic sea opportunity. I want to see more focus on the real opportunity right now in the Celtic sea and to make sure that we do not lose that opportunity by broadening out the focus. We have some excellent work going on through the Renewable UK Floating Offshore Wind Task Force, for example, but we need a more overarching strategic approach from the Welsh Government around the coast of Wales but in the Celtic sea in particular, to unleash that supply chain and port infrastructure investment that we will get from elsewhere. I am urging them to get on with it as soon as possible and in particular to embrace the wider base of more than the 4 GW. The industry has been really plain with me, and I am sure with your Committee as well, that they need certainty.

Q92 **Rob Roberts:** Absolutely. Certainty drives everything in most sectors. My colleagues will come on to supply chains and ports later on, but are there any areas where there might have been any clash or conflict or nonalignment between the UK and Welsh Governments on the idea?

Julie James: No. We are trying to accelerate the ambition. I don't think there is a conflict as such. I suppose there is a conversation going on about what we see as the real need to get ahead of it. I think the UK Government have the same ambition for floating wind around its shores. I can see that we can be a big global player as an industry as the UK. I



want an acknowledgement and an acceleration of the role that the south Wales ports in particular can play in the Celtic sea opportunity. We need some certainty from the UK Government that the investment they put in, although very welcome indeed, is not the end of it but the beginning of it. I have not seen that yet. I am very hopeful that we will see it, and I am not trying to give the impression that they are not doing it, but I have not seen it yet. I think the faster we can see that the better for unlocking the investment potential.

To give a really practical example, I think you have probably taken evidence from Associated British Ports. I should say at this point that my local constituency is Swansea, so I have an ABP right on my doorstep there. I have had a number of meetings with ABP, and it is clear that to unlock their infrastructure investment potential they need more pipeline certainty. The UK Government investing in an industrial strategy and putting up front derisking money into it, as they have on a pipeline basis, would unlock that investment.

If we can't cut into that investment and get our ports into a position where they can take advantage of the supply chain, we might get the renewable energy in the Celtic sea. That would be great for the planet and the world but what we might not get is the wealth creation and the job creation for Wales that could come out of the same opportunity. Obviously, we want renewable energy but also the wealth creation, job skills and economic uplift that come with it. We don't want to see just the renewables being exported by international companies with no obligation for local supply chain and local employment opportunities. I hope that characterises it a little bit more for you.

Q93 Rob Roberts: The context is very important. Thank you. My final question in this section is very similar but subtly different. Can you give me your assessment of the co-ordination and the leadership at the top of UK Government to drive floating offshore wind from the Celtic sea forward?

Julie James: It is a newish Government and I have not met the BEIS Minister yet. I understand from Ed—and perhaps he wants to come in here—that he has a good working relationship with the BEIS officials. I am shortly to meet the Energy Minister. I have met the Climate Minister. From my personal point of view, I have yet to meet all of the Ministers that I would like to meet, but I am hoping to do that shortly. I understand from Ed that the officials have been working well together, so perhaps Ed could answer that part of the question.

Edward Sherriff: Yes, absolutely, Minister, thank you. I think a key element of that has been the development of the Offshore Wind Acceleration Taskforce, led by Tim Pick together with the BEIS Minister. That has been an important element in thinking about the actions that we can do to accelerate the delivery, as the Minister said, and do that in a way that delivers the benefits. That has certainly been the focus of that taskforce, which has industry on it as well as the network operators. That



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is trying to unpick what the barriers and opportunities are, and it has been really positive.

That taskforce has been keen to hear our views and to understand the work that we are doing, including the work we are doing on speeding up the processes for marine licensing, for example, and the input into future grid studies. That has been a positive format for engaging to try to accelerate those opportunities. I think that is a particularly good example of good cross-government work and it is being led by the UK Government and by Tim Pick.

Q94 Rob Roberts: Fabulous. Thank you, Ed. From your point of view on an official-to-official basis, are there any areas where you would like to see improvement?

Edward Sherriff: I think the engagement has been positive. We have regular meetings with BEIS officials and also including Wales Office officials. We have monthly general updates on progress on offshore wind. I think one area in trying to understand the opportunities is that there is a potential conflict around the delivery of value, particularly through the contracts for difference process and benefits and exactly where you strike the rich balance between trying to achieve a contract for difference process that delivers low cost renewable energy and one that also incentivises the retention of economic and social benefits, as the Minister outlined.

Those are the kind of areas that we are keen to unpick in a bit more detail, and I don't think it is a case of unwillingness to unpick that. We are keen to understand what the constraints are for the UK Government with the contracts for difference process and through the Crown Estate leasing round process as well. That is another area where we have good regular engagement, but we are trying to understand in a bit more detail the real hard constraints that they have around their leasing processes.

Julie James: I will add a little bit more to that. I think Ed is constrained by his civil service role there, but I will be a bit blunter, I am afraid.

We have a conflict between maximising the money that the Crown Estate gets for the opportunity in the Celtic sea from the renewable developers—highest-price bidding—and then the need to deliver the budgets at the lowest possible price for the contracts for difference round. What is happening is a squeeze of the supply chain in the middle. The company offers the highest possible amount to the Crown Estate to get the opportunity and then offers the lowest possible price per therm to the contracts for difference process. The people who are squeezed are the supply chain. Our fear is that with a big international renewable developer, the cheapest way of delivering that supply chain is to go to their international supply chain base and not bother to put a local supply market in place.



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The two Government Departments need to get together and make sure that they are maximising that opportunity in the middle and not just taking the highest figure price at the other end and losing the real wealth growth opportunity that there is in growing the jobs and supply chain market in Wales, in south Wales in particular, and across the UK. That is a problem across the UK, not just for the Celtic sea opportunity.

Sorry to be a bit blunter than Ed can in his civil service role, but I think that is the conflict.

Rob Roberts: No, blunt is perfect. I think that is a perfect segue into one of my colleagues who will ask about the Crown Estate and supply chains. I will hand back to the Chair.

Q95 **Chair:** Before I bring in Ben Lake to ask about those areas, Minister, you have been very clear about the need for more ambition from the UK Government in stronger, longer-range targets to create more certainty for the industry. You have been very clear in your most recent remarks about the need for the UK Government and the Crown Estate to get better alignment between what they are trying to achieve through contracts for difference and the leasing rounds to ensure that there is a strong domestic supply chain content. In all of this complicated picture of delivering floating offshore wind, where do you see Welsh Government needing to be in the lead? You have talked very directly of the need for stronger UK Government action in different areas. Where do you see Welsh Government's leadership needing to come to the fore on this?

Julie James: We have put a group together of the potential supply chains, the ports and other providers to talk about what is needed. I have been very clear with that group that we are prepared to derisk some of the investments where necessary. The UK Government, to be fair, have put money on the table to do that as well. We are very keen to make sure that we can understand how we can do this, but I was also clear that we don't want to spend public money unless it is necessary. We have to be careful to calibrate that and for us that longer-term vision would help us to put public money into the derisking forum.

There are two other things that we need to do. I am sure we will come on to the grid conversation shortly, but we are very engaged in the conversation about where the new HNO process should be. Of course, we have just completed an end-to-end review of our own marine licensing processes to make sure that they are fit for purpose and very shortly now I will be making some announcements about the implementation of the outcome of the marine end-to-end licensing process.

We also need to make sure that our processes hit the sweet spot between swift, expedited licensing to grasp the opportunity in the Celtic sea with the least environmentally difficult outcome and that we get, for example, the cables bringing the electricity to shore travelling through the least difficult of our marine areas. We have had a few applications already where the cables were initially proposed to come through highly



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protected marine zones, for example, and that is clearly going to be problematic. Getting that end-to-end licensing process, in particular the pre-application stages of that so we can have the preliminary conversations about likely areas that will be problematic and so on up front, is really important to us.

A planning process goes alongside that. I should tell this meeting that we have an ask of the UK Government to make it clear that particular licensing process is devolved to Wales, because I am afraid it is stuck in one of those ragged edges of devolution we all like to talk about. I have recently written to the Secretary of State asking for a swift response since we first wrote about a year ago. There are some things that we also need to do, you are quite right.

Q96 Chair: That is very helpful. We have heard that there are some concerns that Natural Resources Wales does not have the capacity to deliver the timely investigation and decisions. Are you confident that NRW will be adequately resourced to be able to deliver this large project?

Julie James: Yes. I had a wide-ranging meeting with NRW and its marine licensing team only yesterday morning to discuss the outcome of the end-to-end review of marine licensing and to be clear about what exactly that has asked us to do and to begin the action plan process. Very shortly I hope to be able to make public the action plan and its process and make it transparent. The biggest ask of all was to make sure that it was easy for developers to find the information they need to start the process and we can certainly get on with that straightaway.

I will say, though, that the developers also have some obligations here. They need to engage in the preplanning process and to put in the best application they can. A lot of time can be wasted in trying to perfect an application that should have been perfected in the first place. We need to make it very clear what our expectations of the developers are for those applications so that we can get ahead of the game. Those things are absolutely in train.

Chair: Thank you very much. That is a very fair point about what is incumbent upon the developers.

Q97 Ben Lake: Prynhawn da, Minister. Thank you very much for your time this afternoon. May I begin by asking you for your assessment of the Crown Estate's programme for floating offshore wind in the Celtic sea?

Julie James: We have a good relationship with the Crown Estate. I have had a number of meetings with them, as has my colleague Vaughan Gething, and the First Minister has had at least one meeting that I am aware of with them as well. But we think that more could be done at a strategic level to align some of the asks, and we have touched on this already. There is the whole issue between the seabed leasing process, the auction process as we call it, and the CFD process and the better alignment of those two things. The Crown Estate clearly has a role to play



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in making it clear to the Government what happens to it being partners in the CFD process. We also think that the Crown Estate could do more up front on supply chain development plans.

When I had my last meeting with the Crown Estate, they had a lot of very warm words about being in the same place as us, about wanting local employment and local supply chains and so on. It was very reassuring, and they have included supply chain development plans as part of the tendering process for prequalification questionnaires and invitation to tender stages, but unfortunately that is only in as a pass/fail, so you either have it in or you don't have it in. That is just not good enough, in our view. We want robust plans that are part of the contract, so that if you breach them, you are in breach of your auction contract. What we don't want is a highest bidder and a, "Well, we will do our best," kind of contract.

As I said, because of the push on the CFD side of the process, there is a real danger that big international firms will simply resort to their most convenient and already tested supply chain networks and we will have lost much of the wealth-creating opportunity for Wales and for the UK if we cannot get the manufacture and supply chain part of this process in place. You only have to look at some of the fixed marine wind to see that. We got the maintenance and other contracts, small supply chain lifejackets and that kind of stuff, and that is very welcome to Wales, but what we didn't have was the manufacturing. We were not making the turbines and the blades and that is what we want for this new opportunity. To do that we need to fully understand what the Crown Estate's level of ambition is and they need to be very specific in their documentation, it seems to me anyway, around the local content and the value added for the people of Wales.

As I said in an earlier answer, we want the renewables for the planet, of course we do, but we also want the wealth for Wales. I do not want Wales's natural resources to be exploited once more by people who don't live and work in Wales. We want a fair share of that part of the wealth and economic benefit for the people of Wales in this new industrial revolution. I would like the commitments to be included in the bid for contract for difference support from the UK Government not as a tick-box but as a robust and deliverable plan for supply chain development, for skills development and for local employment. I think if you don't have it tied into the contracts in that way, we will very rapidly see a rush to the highest bidder, lowest price, which will be very detrimental to our ambition.

Q98 Ben Lake: Thank you, Minister. That is a very useful answer. To touch on your recommendation there, for clarity's sake, you would be happy with a minimum sort of mandated UK content, or would you want to see it even broken down to a Wales or a regional-based content?

Julie James: We would like the word "local" to be in there. Of course we want to maximise it for the UK, but it is a hierarchy, isn't it? We want



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local employment, we want local good manufacturing jobs, we want regional Welsh manufacturing and supply jobs, and we want UK manufacturing and supply jobs, but we also need a supply chain analysis. We know that there are gaps in the supply chain. This is why I want an industrial strategy as well. We want to work with the UK Government up front to find out where the supply chain gaps are and to see what can be done with inward investment or growth of small companies to fill in those supply chain gaps as fast as possible so that we can be ready to take advantage of the opportunity.

That leads me back to where I started, which is that you need to know that the opportunity is there for a large number of years into the future to get that kind of investment to be attracted into Wales and into the UK. It is about all of those things, local, regional, national, to get the best of the opportunity for all of those parts. I am sure we will come on to the grid, but the grid is a part of that as well.

Q99 Ben Lake: Thank you, Minister. My other question relates to the ScotWind programme. I am interested to hear your thoughts about some of the concerns that have been put to us as a Committee that the ScotWind programme has a competitive advantage over the Celtic sea programme. What are your thoughts on that concern?

Julie James: They clearly have a timing advantage, haven't they? They are ahead of us and so they clearly have that timing advantage, but I honestly think that the potential size of this opportunity around the coast of the UK means that there is plenty to go around. We can still play a very significant role in that. There is clearly a very large opportunity in the Celtic sea, properly exploited, and there is a lot of work to do to make sure that we catch up. They clearly have that initial first mover advantage, but we also need to have all of the market signals in place that they were able to have so that we understand what the level of ambition is. ScotWind did have that. They have a future opportunity that they could get behind and put investment strategies in place, attract the investment funds from around the world because they can see the longer-term opportunity. We need to have that equivalent for the Celtic sea opportunity.

Other places around the UK coast will also have very similar asks of that longer-term ambition. We need much more certainty that the UK Government's contract for difference revenue support will continue into the future and provide market certainty. We don't want individual yearly rounds of this. We want to know how long the programme will be so that people can see what the future opportunities are, and they can see whether it is worth putting the supply chain in place here because it will be there for 25 years and not for four. That makes quite a big difference for the international and domestic investment that we can expect.

The other thing is the port infrastructure. Our ports are ready and willing to play a big part in this, but they need to unlock their own investment strategies and to do that they need some certainty. We have had a



working group working with them for some considerable time to understand this, but they need that certainty.

The last piece of this puzzle is Tata Steel. There is a huge opportunity to decarbonise steel here with this big renewable resource. There is a whole hydrogen piece, which I don't know if the Committee is going to get on to. To unlock investments in those companies, their boards need to have some certainty of future investment opportunities as well. Then we come back to where we started, don't we? We need the industrial strategy over the short, medium and long term to unlock the investment and then you can see that there is an exciting opportunity for the UK to be a global leader across this and for Wales to play a big part in that global industry. This is a new industry, and we need to get ahead of it.

Ben Lake: Thank you, Minister. That is great.

Q100 **Chair:** On the subject of ports, you mentioned the working group that Welsh Government have in place working with ports to analyse what will be needed to deliver floating offshore wind. What have you learnt from that group about the conditions that need to be in place to unlock the investment from port owners and other potential investments to upgrade the infrastructure in Wales?

Julie James: It is called the Marine Energy Programme and we have worked with the two ports in the south-west, Pembroke Dock and Port Talbot in particular. They both have innovative solutions to that. Port Talbot has an excellent opportunity as a deep water port, very beautifully situated for a lot of this work, but it is landlocked. They have an excellent opportunity to develop the Swansea port, which isn't, and they have an innovative solution of moving materials around and so on. They have been very clear with us that to unlock the port investment needed to bring that to fruition, they need this long-term opportunity. It needs to be more than the 4 GW that is currently on the table.

We also need the FLOWMIS as it is called, the floating offshore wind ports infrastructure and manufacturing fund—I think I am right in saying that it is what it is called; Ed will nod at me if I am right—to unlock the additional private sector investment. We need the UK Government to understand that the £160 million that is in the fund at the moment is not the full financial requirement. It is a very welcome piece of investment, but it is not the full financial requirement, and we need some intent from the UK Government to support their policy position into the future, over the medium and long term as well the short-term opportunity. Having a strategy on the table would very much help that.

I don't think that this is any type of political issue. This is an issue for UK plc really. This is a strategy that everybody can get behind and it is very unlikely that we will ever be in a situation where a UK Government do not want to be ahead of this industry. I think there is a real win-win here and there is a real way to unlock a lot of private sector investment for the UK and for Wales in particular. We very much want to get the opportunity



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maximised for our Welsh ports and our Welsh supply chain. I think that the UK Government have this ambition, but they need to get their strategy out there into the public domain so that we can unlock these other investments.

The ports also want to have an arrangement with Tata Steel, for example. We very much hope that the steel for the turbines, the blades, the engines and so on can be manufactured locally. Also our ports in Wales have things like underwater sea cable manufacturing, chain manufacturing and other things that are essential for this industry, but the supply chain analysis that I spoke of earlier, where we understand where the gaps are now to plug them, also will be absolutely fundamental. The ports have the land and the capability to host that if they were able to unlock that investment.

Q101 Chair: Thank you. On the issue of FLOWMIS, I think I am right that you said the £160 million basically isn't enough. You were intimating that. What sum of money do you think is necessary?

Julie James: I think that would depend really because this is a little bit of a chicken and egg now. It depends on what the UK Government are able to say the future investment opportunities are and it depends over what time period. I am not the expert here at all, Chair, so we would have to understand from the ports and the renewable developers what the level of derisking is. As I said at the beginning, the Welsh Government would also have to play some part in this. But we need to understand that the money is not a one-off and is not going to go away in the future. That is the biggest ask.

Q102 Chair: The UK Government have identified a sum of money, £160 million. There could be argument about whether that is enough or not at this point. Have the Welsh Government similarly identified a sum of money that they would be willing to put in, to use your own phrase, to derisk some of these investments?

Julie James: Not as yet, but we stand ready to do so and we have been very clear that we will. I want to see a strategy so that we can calibrate it for that. I have been very clear in the meetings with the ports that we stand ready to derisk where that is necessary. By that I mean putting some of the original up-front investment in that will then give confidence to the ports, for example, that their investment is not one that is entirely speculative. It is how do you break into that investment circle. It is a bit frustrating because someone has to be the first mover and we have said that we are prepared to be that first mover, but we need the UK Government to give us the certainty that they will be into the future as well.

Q103 Chair: If I could press you a little bit further on that, are we talking single figure millions, tens of millions? What is the order of magnitude of Welsh Government commitment? One of the consistent themes from this afternoon is the responsibility that you feel lies at the door of UK



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Government to do more, go further, put more money on the table. What I am trying to tease out from you, Minister, is the level of commitment and involvement of Welsh Government in delivering this.

Julie James: I find it very difficult to put a figure on it, to be honest, and I am not trying to weasel out of it. We absolutely do need to play our part, but it is very difficult to put a figure on it without understanding what the extent of the investment over time will be. I have been very up front about this with the ports as well. I need them to tell me what derisking level is necessary, and the UK Government will also want some of that information, but more than anything else we need to know that the investment from the UK Government is not a one-off. That would really help. Even if we didn't know exactly how much, the fact that it was an ongoing investment would really help.

Q104 **Chair:** Okay, that is very helpful. Thank you, Minister. You have mentioned the ports of Pembroke Dock and Port Talbot, and as a Committee we have heard evidence from different parties about the attractiveness and suitability of those ports to be effectively the UK's first hub for the Celtic sea floating offshore wind installation and investment. Without wishing to draw you in any way to comment on a specific proposal that those two ports have put together for freeport status, can I ask you for your thoughts, Minister, on whether you feel that the freeport model fits neatly with the kind of project that we have been talking about and can play a role in unlocking the supply chain investment that you have been speaking about?

Julie James: Yes. I can't possibly comment on the freeports. You know that we are the decision-making body at least in part for some of that, so I can't. But it is quite clear that there is an opportunity on a freeport model now that we have sorted out some of the investment basis for Wales, because our big fear, to be honest, on the freeport model was that we would just displace investment from elsewhere. It is quite clear that the flow is not displacing investment from elsewhere. It is attracting new investment in, so allays some of the fears that we are just moving people around the country to different locations. I absolutely agree with you that it provides a model for attracting that investment.

We are very keen that we are not constrained to a geographical location. I mentioned a collaboration between Port Talbot and Swansea, which is in the same port authority of course—ABP. They want to collaborate but obviously you would need to make sure that you were flexible enough to cover off that. We think that there is a possibility to operate ports along the south Wales coast as if they were a single port for some purposes. We are looking to see applications that are as flexible and creative as possible.

You will know that there are ambitions for freeports right around the coast of Wales, including in the north as well. I can't comment on what we want to use any particular one for, but I think there probably is an opportunity for more than one freeport if we can get the funding for it. I



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would like to see the most creative use of that funding in collaborations where that is possible. I hope I haven't overstated that. I do need to be careful here.

Q105 Chair: I appreciate that, but would you at least agree with me, Minister, that it is important that any freeport bid should have a real economic plan behind it—a real project, real potential investors—rather than a speculative play?

Julie James: Yes, definitely, and I can't emphasise enough that what we want to see is not displacement activity. We are not looking to move things around the country as a result of investment in a particular area. We are looking for new investment opportunities and new economic benefit for an area. I think that is absolutely plain.

Chair: Great, thank you very much. I will bring in Geraint Davies from Swansea now.

Q106 Geraint Davies: It is good to see you again, Julie. Moving straight to the grid, first can you make clear how important you feel it is that the grid is connected with the Wales grid to the floating offshore wind as opposed to Devon? What would be the implications if it went into Devon?

Julie James: That would not be good at all. There is an even worse factor, which is that they go into the Republic of Ireland, of course, so we have to be very sure that our grid infrastructure is fit for purpose. It is absolutely one of the three critical elements for getting this project off the ground. We need a holistic grid solution for the whole of the Celtic sea region that recognises the needs of the project developers coming forward, and it has to take account of the future demand for reliable supply of renewable electricity to underpin all of our decarbonisation pathways. We cannot get to net zero without a holistic grid design, that is the truth of it, because we need to decarbonise our industry, our commercial and our housing stock and we need a holistic design to do that.

The Celtic sea underpins that because it produces the energy necessary to decarbonise it. We need to unlock a real level of anticipatory investment in the grid infrastructure to do that. There is absolutely no point in waiting until a developer has got the electricity to the beach and then saying, "Gosh, dear me, we should have connected it up." Our FM told this tale yesterday in his First Minister's questions. One of the developers said to our FM that they were genuinely afraid that that would happen, that they would do the whole development, they would get the electricity to the beach and then there would be nothing to connect it into, and we just can't have that. We must have the anticipatory investment necessary to make sure that that energy can be utilised immediately in the best possible way.

I also want to highlight that it would unlock an enormous amount of other investment in the area, including the supply chain development and the



manufacturing development. Making sure that the manufacturing in whatever port it ends up in has a sufficient supply of electricity and a grid connection necessary to provide that electricity is absolutely fundamental to this opportunity. We absolutely need to get on with the network design and up front grid investment to take account of this exciting opportunity for us.

Q107 Geraint Davies: Given that, where are we on the long-term plan for energy networks in Wales and indeed for a holistic network design that can help bring forward this investment? You have made the case for it. I am wondering where we are on the plan, where we are on the implementation and what are the obstacles.

Julie James: I will hand over to Ed for some part of this, Geraint, because this has been going on at an official level for a very long time now. I am going to meet the Energy Minister very shortly to discuss the political buy-in, but the officials have been working on this for a couple of years now. I will hand over to Ed and get him to tell you where they are at the official level.

Edward Sherriff: There are probably two components to this. The first bit is the holistic network design that National Grid has been leading on. I think that is a positive step forward in taking the strategic longer-term approach to thinking about what the grid infrastructure requirements are, but it still doesn't go quite far enough in thinking about what the longer-term pitch looks like that. That is still very much constrained around the plans that we have in place, including the implications for Wales from bringing the electricity to land from some of the projects in Scotland. When the network design was published, we were already talking about the next phase for that, which is to build on the points the Minister made about what is the future potential and how you provide that strategic solution to bringing potentially up to 20 GW of offshore wind on to the network, preferably in Wales to supply in that way. We are working with National Grid on that in trying to build in that future look, that anticipatory look into those plans. We know that National Grid is considering that.

The grid is also part of the Offshore Wind Acceleration Taskforce that Tim Pick is leading on and there is a stream of work there looking at the kind of anticipatory work we did on the grid. Put simply, if you go through all the potential ways to accelerate the deployment of offshore, you have the consenting, the leasing, the supply chain and port strategy, but even if you solved those and there are some plans in place, you don't sort out the grid issue. You are not going to bring that forward. That is an explicit workstream of the taskforce.

The final bit of work I will mention is the future grid project that we have the Energy System Catapult leading on. It has been developing some modelling and scenarios for the kind of electricity and energy needs that Wales and the UK will need. It has been doing that modelling over the autumn into the winter, and we are starting to get some of the insights



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into that piece of work. That project will be published later on in April. It again will provide a further evidence base for what the grid needs are for the electricity system but also crucially for hydrogen and the potential for green hydrogen.

That is the important part of that project. It is not just around the electricity grid. It is the whole energy grid as well, so that has some insights already built in for the likely hydrogen networks that will be required to take the green hydrogen that could be produced from the Celtic sea into industry with links across into industrial south Wales and then also into households, with a wider connection into things like the Project Union and the potential hydrogen grid there.

There is an awful lot of work going on there. It is really just the case of pulling together the future plan and doing that in a strategic and holistic way.

Julie James: Can I add something else, sorry, Geraint, before you ask your next question? In case the Committee is not aware, part of the holistic network design that we have been discussing is a pipe that connects the North sea fixed wind energy to the Celtic sea, and we hope that pipe would be coming down to mid-Wales. I want to impress on the Committee the real need to maximise that investment, because there is no grid in mid-Wales at the moment and it is causing a real problem, not just for this floating wind project but for all of the other things that we need an electricity grid for, including electrical vehicle charging points, the connection of solar panels on people's homes, our whole energy and decarbonisation retrofit process for housing, manufacturing expansion—you name it.

I want to make the point that in doing this holistic network design, we have a real opportunity to get way more bang for our buck—sorry for the colloquialism—than we get just out of the floating wind, and that is enormous all by itself. We have been trying to impress on the grid and the Minister why on earth would we not kill three or four of these birds with this one investment rather than us having to then look again at investing in mid-Wales and south Wales. I know you know very well, Geraint, that the energy grid in south Wales is hardly fit for purpose at the moment. We experience brownouts across Swansea at various points.

It seems to me that there is a real opportunity to right a large number of investment wrongs with this one investment and that we ought to grasp it with both hands.

Q108 **Geraint Davies:** On recommendations to the Committee, other than moving fast on the grid, the pipeline is at the top of the list as well; is that right?

Julie James: Very much so. We are making the point that wherever the energy from the Celtic sea comes ashore, assuming it is in the UK, it will



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need investment, but Wales would still need investment, so why on earth wouldn't you do both of those at the same time?

Q109 Geraint Davies: You have mentioned Tata Steel already. I assume that the conversations are reasonably advanced with local industry on the use of green hydrogen and decarbonisation as well. There have been some conversations about putting hydrogen in the gas grid to decarbonise and other initiatives for green hydrogen generation from plastics as well. To what extent are you getting local industry support to get behind this, working as team Wales in delivering the grid and delivering this in a co-ordinated way so that we don't end up with the energy without the network?

Julie James: Yes, absolutely. The Welsh Government is a co-founding member of the Celtic Sea Cluster, as it is called. That includes maximising the economic benefit for all of our local businesses and our manufacturing industries. We have over 240 members of that cluster based all around the region and we have been trying to work to make sure that all of the specific opportunities that might be available in the supply chain are understood by them. We have been very specifically working with the ports and with Tata to make sure that they are able to identify at an early stage the investment they would need to be able to take advantage of this opportunity, including granular detail around exactly what type of steel you need to produce for the floating wind pylons, blades, engineering parts and all the rest of it, and what investment Tata would need to put in to be able to produce that very specific type of steel. It is very important that they understand the opportunity.

Q110 Geraint Davies: If it is the case that, like the EU, the UK introduces carbon border taxes, for instance, that would give a competitive advantage to locally produced green steel without furnaces but also presumably with green hydrogen and all the rest of it. Is this seen as a holistic vision with a view to those possibilities and also being sold to the UK Government as very much part of their need and their vision and their promise to get to net zero? I know we are planning to get there first but rather than it seeming as though that is just for Wales and this is for another area, we can be a lead player in winning for the UK team.

Julie James: Yes, it is. As it happens, right now we are also in discussion with the UK Government about the emissions trading scheme, for example. That is under active consideration at the moment. Chris Skidmore's very useful review has just come out and has been very helpful in playing into that. We are in active discussion about a number of the other tangential things that will affect the ability of industry to supply this. There is the carbon tax and emissions schemes—all those things are currently in play as well.

Q111 Geraint Davies: We would be interested in hearing about that in this Committee. On the publicly owned renewable energy firm—the Welsh Government one—how does that fit into the mix, specifically for floating



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offshore wind but more generally for the issues we have been talking about as well?

Julie James: That is concentrating much more on onshore wind at the moment, Geraint. We are very keen for the Celtic sea to make sure that if we have this ongoing opportunity, a large number of much smaller firms can take advantage of that, and we can get on to talking about community ownership as some part of a smaller opportunity. Ed, I am going to have to hand over to you, sorry. I am having a terrible coughing moment.

Edward Sherriff: As the Minister said, the renewable energy developer is focusing on Welsh Government with an estate of publicly owned land. We are hoping that through this process we can do two things. First, we can be an exemplar of how projects can be delivered in generating the economic and social value from projects, from local supply chain content but also with local and community ownership. We are hoping that through that model we can demonstrate how a different approach in development can be taken forward. While that development is focused on onshore wind, the same principles around community and local ownership, local value and wealth creation can be applied to any renewable project. That is being an exemplar for development and the other thing is the tangible benefit this will bring to the supply chain.

We are taking a strategic approach to development within the state by identifying a portfolio of projects and a portfolio of economic opportunity. The same skills and the same manufacturing base will be required for onshore wind as for offshore wind. There is some clear transferability of skills and economic opportunity there. By providing that strategic approach for onshore, hopefully that can generate some economic capacity and economic base that can then be applied to the offshore wind space as well.

Julie James: Apologies for that, Geraint. I didn't quite catch everything Ed said but I am pretty sure I know.

One of the other big things that I think the Committee could think about recommending is getting the Crown Estate to allow for some smaller-sized auctions to allow community-owned and small co-operative renewable companies to take advantage of some of the available opportunities. The way that it has been structured for this first round maximises the opportunity for very large companies and pushes out the smaller ones that are much more likely to have community or local ownership associated with them. For this round, it is what it is but for oncoming rounds I think we could look hard at whether there is an opportunity to allow, or actually mandate in our opinion, the kind of smaller cluster that would allow direct community ownership not just community benefits.

Geraint Davies: We will certainly look at that. It seems to me that if we can support small growing businesses, they become medium and then



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larger businesses and provide more and more economic opportunity rather than not even getting a start. I think I will leave it there, Chair.

- Q112 **Chair:** I will follow up on the point about smaller-scale community-owned schemes. How feasible really is it? These floating offshore wind structures are enormous. Each one is the size of the Shard, and my feeling is that it will require, certainly in the first instance, companies with very strong balance sheets to be able to put in the investment and make these big projects happen. Realistically, are community-owned companies going to be in the business of doing floating offshore wind at any scale at all?

Julie James: We think that it is perfectly possible for that to happen. This is a new industry, and it requires, as you say, deep pockets and strong balance sheets, but we think there definitely is an opportunity for small parts of community ownership. As the opportunity rolls out and the industry beds in, as has happened with every other kind of wind, it becomes cheaper and easier and the supply chain beds in and so on, there will be that opportunity.

One of the things we are very interested in anyway is for the big companies to build for the community a turbine that they can have direct ownership of. We have that on land and there is no reason at all why we shouldn't have it at sea. When the local community has a direct ownership of that, you have the kind of buy-in and certainty that gets the wealth creation that we all want.

I think there is an opportunity. Nobody is arguing with this first plan really, but this is the beginning of what we hope will be a long-term major global industry and certainly there are opportunities there.

- Q113 **Geraint Davies:** I will follow on from that, so we are clear about this. The basic idea was if the ambition is to maximise the wealth opportunity for the people of Wales from the green revolution, one of the ingredients is clearly having small businesses engaged in this so that they can grow and provide employment. They can then share the wealth rather than it just being sequestered from Wales, as happened with coal, for instance. Is that right?

Julie James: Yes, that is right, and that can be done in a large number of different ways. It can be done so that the people who build, manage, operate and decommission the plants are all local and the skills and high wages and the real professional end of this, not just the maintenance end of it, comes to Wales or to the UK. Our preference would be Wales, obviously. But there is more to it than that, isn't there? There is this whole issue of facilitating actual community ownership of the means of producing the electricity in the first place. You have direct wealth benefits from the production of the actual electricity as well. There is no reason why you can't have both of those.

We have started on land with that where we have got one or two turbines built by RWE or somebody, built for the community. The Welsh



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Government are able, through the Development Bank of Wales, to facilitate the finance for that, to sell it back to the community over a longer term. Then you get a real buy-in and a direct benefit as well as the kinds of community benefits that we also want to see from the original large-scale production. I think there are lots and lots of innovative and creative wealth production methodologies here that drive real community ownership interest.

On top of that, we have a number of small companies who are quite capable of coming together to do a bigger development once the technology is bedded in. I have met with a large number of those already who are very eager and willing to play a part. What we don't want to see is a continuing development by only huge international players who use their own supply chains and then, as you exactly say, sequester the profits back to wherever it is they come from. The real irony of that is that any number of really large international players are actually sovereign wealth funds of course. They are not private sector anyway.

Q114 Chair: Thank you very much. I think we have broadly come to the end of the suite of questions that we wanted to ask, but can I pick up on a couple of other issues? Maybe this question might be better for Mr Sherriff to answer, and it is about the role of the UK Government's offshore wind champion. Could we get something on the record about how you in Welsh Government have seen the role of the champion and how you work with him?

Edward Sherriff: I am absolutely happy to come in on that, Chair. As I said in my opening comments, I think it has been really positive. Tim has gone to great lengths to engage with us in Wales. We have had a number of discussions when he has come down to Wales and wanted to understand the work that we are progressing, the work we are doing with the ports that the Minister talked about, the work around the marine licensing incentive process and how we are looking to streamline those processes. He has been keen to make sure that the work that we are doing is reflected in his considerations and how he is reporting back the cross-GB picture into how to accelerate the offshore wind development around Great Britain.

The other thing that has been very clear is the buy-in he has had from other stakeholders as well—industry, the grid, everybody speaking in a very positive way. The ability to coalesce and co-ordinate all of that activity into one place is incredibly helpful. I think we all have a pretty good understanding of individual areas, what the challenges are, what the barriers are and what action we have been taking, but seeing that across each of the barriers and each of the opportunities and pulling that together in hopefully some coherent advice to Government will be key.

Q115 Chair: Thank you very much. One final question, Minister. There has been some press reporting today about the "windfall" that the Crown Estate is likely to benefit from. I think they are quoting £1 billion. Do you have any thoughts on how the Crown Estate could be using its increased



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revenues to support the deployment of floating offshore wind? Do you see enough creativity from them in their thinking about how they can use their resources?

Julie James: I can't resist the opportunity, Chair, I am afraid, to say that obviously we would like the Crown Estate to devolve to Wales, but you are very aware of that already, so I won't reiterate all the points we rehearsed last time I came to your Committee.

Yes, it is pretty much the answer I gave you at the beginning. We would like them to be more creative about this whole issue of incorporating local employment and supply chain requirements in actual contractual arrangements and not just as a nice-to-have pass/fail. We think the pass/fail is just too easy to get back out of—"I'm sorry. I tried my best. I couldn't really do it and therefore we have gone to Belgium." That is not what we want. We want an actual contractual obligation to do various things in the local supply chain. As I say, I would be very happy to see local, regional, national, international included in that, but I think they should be much more rigorous in holding companies to account in their auction bidding to make sure that that actually happens and is not just a nice to have.

Chair: Thank you very much. That brings our session to an end. We are really grateful, Minister and Mr Sherriff, for your time and insight this afternoon. It helps us as a Committee to complete this short piece of work we have been doing on floating offshore wind in Wales. Thank you very much. We will bring the meeting to an end.