



Welsh Affairs Committee

Oral evidence: [Renewable energy in Wales](#), HC 1021

Thursday 29 April 2021

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[Watch the meeting](#)

Members present: Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Virginia Crosbie; Geraint Davies; Ruth Jones; Ben Lake; Robin Millar; Beth Winter.

Questions 147 - 203

Witnesses

I: David T C Davies MP, Parliamentary Under-Secretary of State for Wales; and Rt Hon Anne-Marie Trevelyan MP, Minister of State for Business, Energy and Clean Growth.

Written evidence from witnesses:

[Written evidence submitted jointly by the Secretary of State for Wales and the Minister for Business, Energy and Clean Growth \(REW0044\)](#)

Examination of Witnesses

Witnesses: David T C Davies and Anne-Marie Trevelyan.

Q147 **Chair:** Good morning and welcome to this session of the Welsh Affairs Committee. I am delighted that this morning we are joined by two Government Ministers, the Minister of State for Business, Energy and Clean Growth, Anne-Marie Trevelyan, and the Parliamentary Under-Secretary of State at the Wales Office, David T C Davies, to help us with our continuing inquiry into renewable energy in Wales.

Let's get straight into it. If I could ask you, Minister Trevelyan, the Government have made a very bold announcement in accelerating the target for cutting carbon emissions. I think the target is to reduce carbon emissions by 78% by 2035. That represents an incredibly ambitious plan. In the past, the National Audit Office and the Public Accounts Committee have expressed some scepticism about whether the Government have a very detailed plan for meeting these very broad objectives. How clear is the plan that this new target that is being set will be achieved?

Anne-Marie Trevelyan: Thank you, Chairman, and it is a pleasure to be with you today. As you say, the Government have now laid legislation for the UK's Sixth Carbon Budget, which is proposing a world-leading target that would reduce greenhouse gas emissions by, as you say, 78% by 2035 compared with 1990 levels. If we followed on the trajectory that Carbon Budget 5 had, it would have been about 75% by 2035, so it is a little bit more, but the impact of delivering it is fairly substantial.

We have decided to do this. This is in line with the latest scientific work done and recommended by our expert independent advisers, the Climate Change Committee, which obviously came into being when we set in place our Climate Change Act in 2008, which again is a world-leading piece of legislation.

Setting this target gives us a decisive step towards net zero by 2050. It is building on a series of ambitious plans that we have announced since committing to net zero emissions in law in 2019, obviously including the Prime Minister's 10-point plan, in which he set out at the end of last year our new UN climate target to reduce emissions by 68% by 2030 compared to 1990 levels. This is the highest reduction target that has been made by any major economy to date.

I think it is safe to say that this latest bold step demonstrates our continued leading role in tackling climate change, always remembering that we are trying to keep to a target that will help us to be consistent with the Paris agreement, to limit global warming to under 2° and to try to keep it to 1.5°.

Wearing my COP presidency hat, on which I am working with Alok Sharma, I am acutely conscious that this is a global challenge, and for those countries who are going to be affected by climate shocks, it is a



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very good reason to remember why we are in part doing this. We will also suffer if we don't, but there is a global challenge here that we are trying to achieve. The Prime Minister is passionate about making sure that we set that world leadership challenge, and that other major emitters have the opportunity to make those commitments.

Q148 Chair: That is very helpful, what you have set out. What contribution are you, as the UK Government, looking for Wales to make in helping the UK reach this new even more ambitious accelerated target for reducing carbon emissions? Where does Wales fit into the picture that you are setting out right now?

Anne-Marie Trevelyan: Clearly we think of the UK as all four nations together. I know that in 2019 the Welsh Government accepted the Climate Change Committee's advice to reduce emissions by 95% by 2050 and that there was a desire set out to go further. I understand that in February of this year the Welsh Government laid regulations to aim to achieve 100% reduction in emissions by 2050. That is very important because we work as a whole for the UK, and we want to make sure that we do.

The Welsh Government's net zero by 2050 has a series of steps, much as we have for the whole of the UK. At the moment it is 63% by 2030 and 89% by 2040. That commitment is there and matches the UK challenge. It will be in the context both of power production, so developing renewable sources of energy, and in each and every one of us as citizens changing the tools we use in our daily lives, which will help to use decarbonised energy and, indeed, reduce our energy use in terms of our home efficiencies and so on. There is a broad series of things that we all need to do, both at a macro level on the power side and at an individual level in the way we lead our lives.

Q149 Chair: Thank you very much. Minister Davies, you know south Wales very well. If you look at the nature of the south Wales economy, stretching from Pembroke in the far west, with oil refining and liquefied natural gas, all the way across that south Wales corridor through Port Talbot, with the steel production, through to Newport, more steel, what you have in south Wales is still a very heavily carbon-based economy.

Minister Davies, behind this new accelerated and very ambitious target that the UK Government are setting out, isn't the truth that if we are to meet those targets by 2035, there will be massive changes implicit for Welsh industry and for the jobs that rely on those industries in Wales? Basically, a lot of those jobs are going to go under the Government's plans, right?

David T C Davies: There will certainly be massive changes, but I think what we will see is not jobs going, but jobs changing as well. I completely accept your first point, which is that we have a strong automotive industry and steel industry across south Wales, and oil refining. What sort of changes are we likely to see? We know in your own constituency, Mr



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Chairman, that we are looking to see floating offshore wind develop as a result of the Pembroke demonstration zone and the growth deal that is taking place there. We know that the steel industry across the whole of Europe and the world—and certainly in south Wales—is facing problems, but we have put aside money for technology that can allow steel processing to change and become greener, looking perhaps at electric arc furnaces to recycle steel, rather than blast furnaces, in the much longer term.

Looking at the automotive industry, the Secretary of State visited Meritor in Cwmbran the other week, where I used to work many years ago, which is developing technology for hydrogen vehicles. It is not necessarily the case that the jobs will go, it just might be that we are producing greener steel, that we are producing more offshore wind, perhaps floating offshore platforms, and hydrogen and electric vehicles rather than ones that use petrol and diesel. The money has already been put in place to enable that transition to occur.

Q150 Chair: But the timescales involved, Minister, are incredibly tight, aren't they? A 78% cut in carbon emissions by 2035, that is less than 14 years away. Implicit in those targets, as you have both alluded to, are big changes in society and in the economy. Are you absolutely confident that the plans are indeed in place for achieving the kind of transition in the Welsh economy that you are talking about and for seeing new jobs created to replace the ones which, frankly, will be lost as a result of these changes?

David T C Davies: I think you are right that the plans are ambitious. They are achievable, but there will certainly be consequences as a result. I think we have to accept that the public want us to be ambitious about cutting carbon emissions. I don't accept that that is going to lead to job losses. I think it will be job changes rather than job losses, but of course there will be consequences for society. We will be driving electric vehicles rather than petrol and diesel ones in 10 or 15 years' time. These are changes that the public have asked for and that we are delivering.

Q151 Chair: I am keen to bring in colleagues, but can I just come back to you, Minister Trevelyan? In an earlier answer Minister Davies referred to the opportunities arising from floating offshore wind technology, particularly for west Wales and perhaps even for my own constituency. The Government have, of course, set a target of 1 gigawatt of floating offshore wind by 2030. Are you confident that there is the necessary alignment between UK Government plans, between the aspiration of the private sector developers, investors and also the Crown Estate, as the owner of the seabed and the body that perhaps is dictating the pace of deployment of offshore floating wind? Are you confident there is perfect alignment between all those different partners to ensure that that 1 gigawatt target is met by 2030?

Anne-Marie Trevelyan: Yes. The next Allocation Round 4, which will be this autumn, will have floating wind as part of it. The Crown Estate



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announced in March that it is starting work to design new leasing for those early commercial-scale floating wind opportunities in the Celtic Sea. This is going to focus, I think, on projects of around 300 megawatts, which is going to be a very important first step in the maturing of the technology and will be an opportunity for the whole of the UK, but importantly Wales, which is very well placed because of the nature of the geology and the prospective projects.

The next stage, of course, will be looking at the supply chain investment opportunities that exist, but I think Allocation Round 4 is going to be the first opportunity to really move into the floating wind sector in an active and sizeable way.

David T C Davies: Yes, the Secretary of State for Wales and I are very keen to have a dialogue with the Crown Estate. We met in October, and I think we had another meeting in December to discuss this very issue. Either way, we found that it appears to be very enthusiastic about floating offshore wind. I know there was a problem that needed to be overcome over when the leasing rounds were going to be announced. It has given us every assurance that it is as keen as we are on floating offshore wind technology and it wants this result.

Q152 **Chair:** Who is setting the rhythm and the pace for this? Is it BEIS or is it the Crown Estate? I am still not yet clear on who is calling the shots. The Government have set a 1 gigawatt target by 2030 and yet seem to be at the mercy of the Crown Estate's decisions about the time it is going to take until the next leasing round.

David T C Davies: BEIS is in overall control. I will hand over to the Minister in a moment, but when I spoke to the Crown Estate, I suppose I had a certain stereotype in my head as to what I was expecting, sort of a lawyer used to working for the Royal family perhaps. In actual fact, what I had were people with an environmental background who were clearly very personally committed to seeing renewable energy being developed across the Crown Estate. These are not converts; these are people who are enthusiastic environmentalists and they made that very clear to me, that they are doing everything possible. I hope that is of some reassurance.

Anne-Marie Trevelyan: As the Minister says, clearly BEIS is directing both the strategic and the policy frameworks, and indeed is putting in place legislation where it is required to assist in any new technologies and new investment propositions, but the Crown Estate works alongside us. Its seabed rounds are moving in synch, if that is the right word, with our allocation rounds of funding for contracts for difference. We work closely together in that sense to make sure that we are able to provide the relevant tools both in terms of funding, which comes from Government and through the CfD, and through leasing contracts with Crown Estate.

Q153 **Geraint Davies:** Minister Trevelyan, the Prime Minister has basically halved the amount of time we have to reduce carbon by 78% from nearly



30 years to 2059, to less than 15 years to 2035. What in practice will change in terms of our plans, for instance, for next year? Will we, for example, bring forward the Swansea Bay tidal lagoon? What practically will change in the next year, given we have halved the time, or is this just a press release before COP26?

Anne-Marie Trevelyan: No, we are very much following the Climate Change Committee's direction. We feel it is a tough target that it has set, but it is one that is realistic. In practical terms, if we had followed, as I mentioned earlier, the Carbon Budget 5 level through to 2035, it was at about 75%, so in that sense the output difference is relatively small, but the big change that we have to make is to make sure that we have much more renewable and clean energy on the system than we would have had otherwise.

What it is bringing forward is the demand to make sure our CCUS technology is developed, that our hydrogen is developed and the industrial decarbonisation, where our big emitters need to change—we mentioned the steel industry earlier—that work needs to move at pace and Government are making sure that we support business.

There is a huge positivity across industry to do that. That is the key part, if you like, of the shift in pace at which we need to deliver that, but there is genuinely, I think, a completely different sense of the speed and the commitment from even two years ago. The flipside, of course, is in terms of our usage as citizens of this power. We will be changing to clean vehicles and so on, but the key is having the clean technology to do that. That is where the pressure has increased, and we are making sure that we lean in to help that happen.

Q154 **Geraint Davies:** Have the Welsh Government bought into halving the time, and are they going to do anything differently in order to get the same result in 15 years instead of 30 years, namely a 78% reduction in carbon? What are they going to do, or aren't you in contact?

Anne-Marie Trevelyan: I haven't had any detailed conversations further to what I said. They discussed it earlier in the year, but they are looking to that. Their targets are landing on the decade rather than the half-decade. I don't have a detailed picture of what that looks like, but that 89% by 2040 is absolutely in line with the sort of commitment that 78% by 2035 looks like. I am very confident that the Welsh Government are leaning in very hard on finding ways to deliver this alongside the UK Government.

Q155 **Beth Winter:** Thank you for coming along today for this very important session. As has already been mentioned, the UK is going to be hosting the UN climate change conference, COP26, later this year, the most important climate meeting since the Paris agreement was signed back in 2015. I welcome the Prime Minister's stated commitment that climate is a foremost priority for the UK Government. However, there are increasing questions around whether the Prime Minister's rhetoric is being matched



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by action, in particular some recent ministerial announcements on new gas-fired power stations, extending roads, cutting taxes on flights and overseas aid, so it is whether the rhetoric is matching action. I would like to know your response to these concerns—and increasing concerns—and what reassurances you can give that the UK Government are in fact committed to averting a climate disaster.

Anne-Marie Trevelyan: Clearly with our presidency of COP26 this year, that is very much a drawing together of all the parties who are working together to try to meet the Paris agreement challenge. I think it is the leadership that we are providing in how we are decarbonising, as a major emitter—relative to China and the US we are a small emitter, but we are still a major emitter—our electricity and power systems, our heat systems and how the tools that we will use to live our lives in a clean energy way are very forward leaning and world leading in many ways.

On the point about roads, the key point about transport—which isn't within my remit as such, as clearly it sits with the Department for Transport in a delivery sense—is that there is a huge amount of focus and commitment to zero emission vehicles and the investment in hydrogen buses. I know the DfT is publishing a transport decarbonisation strategy shortly. These are all about doing travel in a different way, so things like the Jet Zero challenge to help aviation to find ways to have clean energy as they move around. Of course the issues of air pollution and emissions at airports isn't only the planes, it is all the movements of cars and trucks that go in and out of airports, so decarbonising our transportation methods is as important as anything else.

Within our international commitment on international climate finance, the Prime Minister doubled that. That has been ring-fenced, despite the cuts in ODA that the Chancellor has had to make because of all the other challenges on our finances this year. That has been committed to for £11.6 billion over the next five years, so we are again world leading in helping to invest and helping other countries to make changes in the way they develop so that they have clean energy as well.

David T C Davies: First of all, to take a couple of those questions in turn, the COP President is meeting regularly, as I understand it, with Welsh Government Minister, and I believe Welsh stakeholders are already applying to be present at the conference. I understand that work is under way at the moment to make sure that Wales is well represented there.

As far as gas power stations are concerned, I suppose BEIS are the experts on this, but I remember when I chaired the Committee we organised a visit to National Grid, which explained the importance of gas to renewable energy. It is possible to turn electric output from gas stations up and down very quickly, which isn't the case with nuclear or other technologies. It can be used to balance the grid and make sure that the amount of electricity on the grid is the amount being used, because obviously you can't have too much or too little on the grid at any time. It



was very well explained to us by National Grid, so I would suggest that is a visit you might quite enjoy.

As far as air passenger duty is concerned, I am slightly surprised by the question, because on 25 February 2019, Mark Drakeford, the First Minister, wrote to Roger Lewis at Cardiff Airport very clearly setting out his view that air passenger duty should be devolved to Wales so that the Welsh Government could cut air passenger duty and boost demand. Cardiff Airport of course is owned by the Welsh Government, so I am slightly surprised by your question because it implies that there has been some sort of change in Labour's policy over the last two years.

Obviously you will be aware that the Welsh Labour Government are responsible for Cardiff Airport. Cardiff Airport was losing money, and the Welsh Labour Government want to get hold of air passenger duty to reduce it so that more people will be flying out of Cardiff Airport. If that is no longer Welsh Labour's policy, that is obviously a matter of concern to all of us who care about the future of Cardiff Airport.

Q156 **Beth Winter:** What is your response to the questions and concerns regarding the rhetoric of the UK Government not being met or reflected in actions?

David T C Davies: You will be aware that, a moment ago, the Chairman was pointing out that, far from being rhetoric, we are taking action at the moment to decarbonise, which is going to have an impact, of course. It is going to mean people's jobs changing over the next few years, so I would just point out to you that we are delivering a whole range of policies across the UK, including Wales, that are going to have impacts. If you look at the growth deals, which I hope we are going to turn to later, you will see that there are environmental projects coming forward. If you look at the hydrogen hub in north Wales or the Global Centre of Rail Excellence, which has been supported by the UK Government, you can see this—*[Inaudible]*—flowing into Wales to fast forward our economy and decarbonise.

Q157 **Beth Winter:** Sorry, you cut up there, but thank you, Mr Davies. The second question is much more specific to Wales. You have already touched on some of this in your response. What steps are the Wales Office taking to ensure that Wales is sufficiently represented at the summit?

David T C Davies: I know that we have a list of potential stakeholders who will be present at the summit. I don't think I can specify who they are, although I have seen it and I am aware that a decision is going to be taken about it shortly. I am aware that the COP President-designate is meeting regularly with Ministers from the Welsh Government, and of course there are various UK-wide campaigns that will encompass Wales, which will encourage people to take part and celebrate the conference later this year.



Q158 **Beth Winter:** Minister Trevelyan, how is the UK Government engaging with Welsh Government, and other devolved Governments, in terms of the programme for COP26?

Anne-Marie Trevelyan: As Minister Davies said, the COP President-designate, Alok Sharma, is chairing a COP26 DA ministerial group, which is attended by climate change Ministers from the Scottish, Welsh and Northern Ireland Governments, as well as the UK Government territorial Secretaries of State. The purpose is to ensure effective engagement and collaboration on COP26, so that we can deliver a genuinely inclusive and welcoming COP26 from the whole of the UK to the rest of the world.

One of the domestic communications campaigns that we are running, which is called Together for Our Planet, is really starting to build momentum to help build awareness and understanding of COP26 across the UK, and very much in Wales too, helping target specific behaviours that people can engage in to help positively impact their carbon footprint, engaging and working with schools, through Creative Earth, the children's art competition launched with WWF in December. Indeed last week—I have lost track of time—on Earth Day, *Blue Peter* launched a competition, which is fantastic.

I am a *Blue Peter* badge-holder, I am happy to announce. It is what it does and the way it reaches out to our children, who are the reason why we are doing this, why we are making a holistic and total change to the way we live our lives and relate with the energy that we use. It is for our children that we are doing it, because the planet they will live in, once we are all no longer here, is one that we want to be sustainable and liveable across the planet. There is a lot going on to make sure that everyone is engaged. I know that Alok is very engaged in making sure that that is the case.

Chair: Minister Davies, there seems to be a bit of a problem with the sound. Can you just check to see whether there are any other applications open that might be using bandwidth, just to make sure we get a proper clear signal?

David T C Davies: There may be. If I turn them off, I may cut off, but what I may do is try to get on using my own personal equipment rather than the stuff that has been supplied to me.

Chair: Okay. It is sounding fine for the moment, but I will flag it up if there is an issue.

Q159 **Virginia Crosbie:** Bore da. Good morning, Ministers, and thank you for joining us for this important session. My question relates to how the UK Government are using R&D investment to identify future innovative projects. I was on the ARIA Bill Committee last week, which is making hopefully major changes in terms of our innovation in the UK. Also in my constituency of Ynys Môn I have the M-SParc science park, which has some cutting-edge research technology, so I am interested in how the UK Government are funding R&D in these renewable areas.



Anne-Marie Trevelyan: You will be more in tune with the line by line of the Bill than I have been, as Amanda Solloway is leading that. Across the whole piece for UKRI, the work that BEIS supports through a number of tools, but particularly through the catapults, there is great engagement and brilliant innovation where industry, those with bright ideas from university spaces through to the entrepreneurs, can draw together and work out how they can develop their technologies through to commercial output. There are, in this changing climate, so many component parts to that, from the way our boilers are going to be built to how you have different windows, through to car battery technology, hydrogen buses, right the way through to future nuclear technologies.

There is a huge amount of work going on across every part of the energy sector, and that will continue to be the case. UKRI has a substantial financial footprint and indeed reach across the UK, which I think is very important. The opportunity for those with good ideas to develop and bring them to market will be a critical part of our success. Indeed, not only to help us to decarbonise and live the way we live our lives with more efficient and cleaner energy usage, but to help export those ideas around the rest of the world.

When I look at the work we are doing through COP26, not only on emissions changes but on how people need to adapt in every sense, we have the opportunity to be world-leading in that and to share technologies that are UK made and help them go around the globe. There is a huge amount going on. I think it is a very exciting time at every level of this renewable world that we are moving forwards in.

David T C Davies: Obviously the ARIA scheme is BEIS-led, but I would expect that Wales will be punching above its weight when it comes to making applications. If we look at the kinds of technologies that are already being pushed forward in Wales, we have mentioned this already, the floating offshore wind in west Wales, the marine technology in north Wales and the green steel in south Wales. I would be surprised—not to say absolutely astonished—if Wales isn't getting very much involved in applying for grant funding under this scheme, but obviously it is going to be led by BEIS, not the Wales Office.

Virginia Crosbie: Thank you, that is very helpful.

Anne-Marie Trevelyan: Of course as part of the 10-point plan and the Energy White Paper—separately to the ARIA work, if you like, that really sharp-edged work—we are just beginning to launch what will be a £1 billion net zero innovation portfolio, which will have probably 10 net zero technology areas. That will include floating offshore, energy storage, which is an area where there is quite a lot of technology development still, and a number of disruptive technologies. That will also provide an opportunity for those technologies to come forward and hopefully bring solutions to the market that will help us to meet what are indeed challenging targets.



Virginia Crosbie: Excellent. I look forward to sharing the next stages of Morlais with you and also the results of our innovation jobs fair that your colleague, Minister Solloway, will be opening in July.

Anne-Marie Trevelyan: Absolutely.

Q160 **Robin Millar:** Good morning, Ministers. Thank you for coming along today. It is good to be talking about these points with you again. My interest clearly is focused on north Wales, where we have the proposal for a north Wales tidal lagoon. You will know of my interest and questions around that. One of the things, of course, is that when people think of marine energy, they think of established technologies and established generation through things like wind, and that is not so true of tidal. The concern is that some of these other technologies are effectively locked out of contracts for difference rounds and bids.

How are the UK Government supporting emerging marine technologies or these less-established approaches that are less likely to benefit from CfD rounds?

Anne-Marie Trevelyan: Over 10 megawatts of tidal stream devices have been deployed for testing in the UK so far, including the largest one in Northern Ireland. That is ongoing. There has already been a long history of supporting the development, and indeed the beginnings of deployment, of wave and tidal stream technologies, and we have provided support at that level to help sectors move from the initial concept prototypes and now to the first arrays. Since 2003 a number of bodies across Government, not just BEIS, have provided innovation and R&D funding of £175 million to the sector, of which about £80 million is since 2010.

There are significant tidal stream resources around both Orkney and the Shetlands, and indeed Anglesey. The EMEC established in Orkney in 2003 has become a kind of global-leading tidal energy converter testing centre, so I think we are definitely in a place where there is evidence that this can be a part of the whole. I think the challenge is getting the pricing to a point where the electricity is at a commensurate rate with other technologies in due course. But I think all these projects are in concept stage and developers will need to get their projects to a detailed design stage with the relevant studies to be able then to come forward. We are looking very much, with one of the pots of the allocation round system in due course, for those less-developed technologies, as we call them. Hopefully we will be able to bring in wave and tidal stream when we see that there is—

Robin Millar: Of course, tidal range is different from tidal stream. While I am delighted that tidal stream has received that kind of attention and funding, tidal range is some way behind. That would be very welcome. Minister Davies, do you have anything you would like to add?

David T C Davies: I think Minister Trevelyan has made the point that pot 2 will encompass wave and tidal and less-established technology, so I



would imagine that it will be possible to make a bid for that. I think we will get all the details quite shortly because the auction is going to take place later this year. We should have auction parameters about six months in advance, I believe, so we should have more information on that shortly. But of course in the meantime it is still open, if there are local schemes, to put together growth deal bids. The Morlais project is one such bid that is going forward very well at the moment.

Q161 Robin Millar: If I could turn my attention to two different aspects of pricing, one is of course the benefits that come from new technologies and the challenge that they present to existing pricing models. For example, with something like a tidal lagoon, there is significant advantage in coastal defence. The lifespan of the project is multiples of that for some other energy schemes. Minister Trevelyan, is any of the work that you are doing in BEIS looking at reviewing those parameters?

Anne-Marie Trevelyan: You raise a very important point. One of the challenges of both doing all the decarbonisation work that we are doing at pace and developing new technologies is working cross-departmentally to make sure that we are trying to find ways to think holistically, which is what you describe, in a way that we have not before. I have now set up a ministerial group to look at a number of issues and how we can work most effectively together to look at that whole picture. I think all of us who have been in Government would agree that Government isn't always brilliant at being cross-departmental, and siloing can be a challenge sometimes.

In this sector the net zero challenge is for all of us to take on, and we have a very positive outlook. It is not always easy because different Departments have different demands, different legislative requirements and so on, but we are all absolutely committed to thinking as holistically as we can and working out how we can get through barriers to think more positively about the multiple positive impacts, or indeed sometimes the negatives that we need to work through. That is very much on my radar.

Q162 Robin Millar: That is encouraging, and I look forward to picking it up with you at some point in the future. A final question. I know that one of the initiatives to help new and emerging technologies overcome that kind of investment hump is the idea of innovation power purchase agreements. Have the Government done any work, and has any progress been made, on exploring the possibility of these agreements for marine technologies?

Anne-Marie Trevelyan: I don't have that at my fingertips, but if I may, I will write to the Committee and get back to you with details on that because I cannot give the detail at the moment.

David T C Davies: I will not be specific about which one, but you will be able to work it out. I think one of the schemes that has been mooted, there has been work done to see whether or not advance power



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agreements can be made. In fact, it would be virtually impossible for it to go ahead, I think, without that. Obviously it is one of the schemes I am worried about. I think I can say this is the scheme in Cardiff that is going to start later on in the year, which is going to centralise heating. That has relied on using public sector buildings to buy into it. I think the answer to your question is yes, but things are at an early stage at the moment.

Robin Millar: Thank you both. I am reassured that you are looking not just at the new technologies, but the—

David T C Davies: The Heat Networks Investment Project. I knew I had forgotten the acronym, but yes is the answer.

Robin Millar: I am encouraged that you are also looking at the implications of new technology for pricing and costing models.

Q163 **Tonia Antoniazzi:** Minister, how does a smart export guarantee differ from the previous feed-in tariff schemes?

Anne-Marie Trevelyan: The feed-in tariff, which is no longer imposed, was hugely successful. It outstripped predictions and generated enough electricity for 2 million homes, but getting that balance right both in protecting consumers and adjusting incentives where costs fall is always a challenge and Government have to keep on top of that. We closed it because we felt that a flat rate aligned better with the Government's vision.

Under the smart export guarantee, which was introduced in January 2020, we have given small-scale low-carbon electricity generators—that is you or me with a solar panel on our roof—the right to be paid for the renewable electricity that they export to the grid. This is part of our continued commitment to ensure that low-carbon electricity, whether it is literally at the household generation level or indeed at the national level, is central for the transition to the smart and flexible systems that we want for the future. It is a market-driven mechanism and moves towards projects eventually being able to be deployed without subsidy.

Q164 **Tonia Antoniazzi:** The smart export guarantee has been described as "ineffective" and "better than nothing". How confident are you feeling that it is a sufficient replacement for the successful feed-in tariff scheme?

Anne-Marie Trevelyan: I think it has been successful in bringing forward a range of competitive offerings to the market. Renewable generators now have several tariffs to choose from, depending on who you work with as your main supplier, and sometimes in some cases they have been higher than the old FIT export tariffs. But I think these are encouraging signs that suppliers are keen to engage in this market and to encourage you and me to become part of that generating family, if you like.

Ofgem is going to be preparing an annual report on the provisions later in the year. I don't have a specific date, I am sorry, but I know it will be



later in the year. That will help us to be able to review just how effective this is at delivering that competitive range of options, so that will hopefully give us a very good bedrock of evidence to see how it is going.

Q165 **Tonia Antoniazzi:** Will you, as a Department, be formally responding to the Ofgem annual report?

Anne-Marie Trevelyan: That is a good question. I will come back to you on that one.

David T C Davies: I just want to make a big picture point, because every time there has been a change in tariffs over the years, and generally it has been a change downwards, there has been a great big hoo-ha. It happened with solar when the solar tariffs went down, the prices paid for that, and with wind. But look at what has happened as a result: if we take wind as an example, at one point people were needing to get £150-plus per megawatt hour to make wind profitable. Now it is almost profitable at the market rate. To the same extent, people are just now seeking a guarantee that they will get paid what is currently the market rate, somewhere in the mid-£40s per megawatt hour.

Every time these changes have been made, there has been pain and there have been people saying it is going to kill the market, nobody is going to want to do it, nobody is going to want to build a wind farm ever again, but what has happened is that the industry has stepped up to it and been able to get this stuff out there for much cheaper rates, which has benefited all of us, because, first, it has kept the price of energy down for us all, and don't forget those feed-in tariffs have to be paid for by the consumer eventually. Secondly, it has made that technology available to more people, or more widely available, so it has been a good thing overall. I think it is fair to say it causes a bit of pain short term. Long term there is a huge benefit for all of us.

Q166 **Tonia Antoniazzi:** Doesn't that strengthen the argument that there should have been investment in the Swansea Bay tidal lagoon when it came to the table a few years ago, when you were Chair of the Committee?

David T C Davies: In the case of the Swansea Bay tidal lagoon, we were told at the time that it could be delivered for the same price as Hinkley, so about £92.50 per megawatt hour. Under questioning from both myself and Rachel Reeves, who jointly chaired the inquiry, the developers accepted that the figure would be much closer to £150 per megawatt hour. I think if you go back to the inquiry and have a look through the verbatim report, you will also see that grave concern was raised over the way in which that evidence was presented, particularly over the fact that the developers were linked to a quarry that all the rock was going to come from.

I will say no more about it, but I suggest you have a look through that. You will see that both I and your fellow party member, a Labour Member



of Parliament, had very grave concerns indeed, but that is not to say the principle is wrong. Both myself and the Secretary of State for Wales have met Swansea Council to discuss the Dragon Energy Island scheme, which I think is a very positive development. I am very confident in the abilities of the Labour Swansea Council, who have some great people, and the scheme that it is putting forward is one of great interest.

Tonia Antoniazzi: For the future of Swansea Bay and the lagoon, it is great to hear you have a positive response for the Labour Swansea Council. Thank you very much.

David T C Davies: On that particular issue, yes.

Q167 **Ben Lake:** Thank you, Ministers. I would like to turn to grid capacity, because we have been repeatedly told that renewable energy development in Wales will be severely impacted by grid constraints. What are the UK Government doing to address this issue?

Anne-Marie Trevelyan: I know this is an issue that has concerned the Committee before, and obviously the regulation of the transmission and distribution network is a matter for Ofgem, as it is the independent regulator and its role is to protect consumers, obviously while providing the right incentives for investment in the whole GB energy sector.

We are comfortable that the new RIIO transmission price controls will provide £30 billion-worth of investment, with the potential for a further £10 billion through the uncertainty mechanisms over the next five years. That next price control for electricity distribution is in development and is due to kick in in 2023, so the distribution network companies are working with stakeholders to develop their business plans now, which I think have to be submitted to Ofgem by 1 July. That will obviously help to move the issue forward.

Those uncertainty mechanisms, which of course enable the funding allocated to network companies to be adjusted if there are reasons to do so, can be very bespoke to the localised needs, which I think is very important. We also now have what we call the net zero reopener—it sounds like a can opener, doesn't it?—which is an uncertainty mechanism that means networks can seek additional funding for specific net zero related projects that were obviously unforeseen at the start. That will be a sort of rolling opportunity to say, "This renewable has appeared" and so on, to ensure there is that capacity as it is needed.

Just looking at the spending that has been earmarked over 2015 to 2023, the window that we are in at the moment, £1.3 billion has been allocated for south and mid Wales, of which £765 million has been spent up to 2020, and for north Wales there was a £2 billion allowance, of which £1.4 billion has been allocated to 2020. The targets on network resilience and reliability have been met to date. There is a bit of underspend at the moment due to demand not materialising as much as expected, and indeed energy efficiency is one of the key things we want to try to crack,



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to all be more efficient in what we use and therefore be using less of it. We are comfortable at the moment that it is going well, but Ofgem obviously remain the lead.

Q168 **Ben Lake:** Sorry to ask for clarification, but on the net zero reopener funding you mentioned, will that be in addition to any other funding that you expect the new RIIO system to unleash?

Anne-Marie Trevelyan: It is part of the uncertainty mechanisms. Let me get back to you with more details, because I do not have the finer points of it, as obviously it sits with Ofgem.

Q169 **Ben Lake:** Thank you, that is very useful. Unless Minister Davies wishes to add anything on that point, do you think it is fair to suggest that, if grid capacity issues are not addressed, Wales will not be able to realise its renewable energy potential?

David T C Davies: As things stand, and given the projects we know are hopefully forthcoming, I am not aware that there is going to be a problem yet, but that is not to say there will not be one. If it comes to light, we are happy to talk to and liaise with National Grid. Obviously if we became so successful in new electricity generation projects that the grid cannot cope, I would expect us to have due warning of that and be talking to National Grid and BEIS about it, but I am not aware. That is not a problem I see on the horizon at the moment.

Q170 **Simon Baynes:** Thank you, Ministers, for giving up your time in a very helpful session this morning. I want to move on to local employment and upskilling the Welsh workforce. What work is being done to adapt and support employment through the decarbonisation processes?

David T C Davies: The North Wales growth deal has put forward several very interesting projects that will answer that point. One is the Llysfasi carbon neutral centre, which will be training people in carbon-free farming techniques. There is another one in north Wales, although I am not sure what stage that is at and what I can say about it at the moment, but there is a growth deal project that involves one of the universities training large numbers of people for future green jobs. I might just leave it at that for the moment, but I can assure you—in fact, maybe I can direct you back to the North Wales Economic Ambition Board. It will be able to fill you in with as much information as it can on those particular projects.

Anne-Marie Trevelyan: Clearly the upskilling and reskilling are both critical parts of ensuring that our workforce is ready to take on the challenges that net zero will bring. For us, as the UK Government, investing in that most important asset, our human capital, our workforce, is critical. We launched the Green Jobs Taskforce last year, which Gillian Keegan at DfE and I co-chair. It has been working in partnership with business, with skills providers and with the unions to think about the plans we need to develop for those new long-term, good-quality green



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jobs by 2030 and provide advice and the support that is going to be needed for people in transitioning industries.

The taskforce is going to report to Government in the summer, and obviously we will put forward our response relatively soon afterwards. It is very important; this is across the board. It is not only thinking about the changing jobs in the oil and gas sector, for which we have just published the North Sea transition deal, and how a lot of that workforce will be able to transition into perhaps the offshore wind industry and indeed bringing their skills to other parts, but obviously growing skills generationally in the nuclear industry and of course in the automotive industry, not only in, if you like, the production end and all the battery technologies, all the work that needs to go on there, but on our high streets, the car mechanic becoming a software engineer.

We are going to need many, many more people in the construction and building trade in heat engineering to help decarbonise our homes. That is a huge project that needs many, many more people than we have now. There are so many sectors where not only is it reskilling, but we need to grow the numbers and upskill into the new technologies, alongside, very importantly, bringing on that next generation.

Our children are passionate about and understand the whole planet challenge, which is why we are trying to maintain our Paris agreement challenge, and we need to make sure that we are enthusing them to understand that a job in a STEM sector is part of their commitment to helping meet the net zero challenge. It is making sure that we look holistically across the whole workforce and the next generation workforce, so there is a huge amount of work going on in that space at the moment.

Q171 Simon Baynes: Thank you both. My second question is, in a sense, circling around the same subject. What is the UK Government's strategy for taking advantage of future employment opportunities arising from decarbonisation, once the transition has been made? In a sense Minister Trevelyan has answered this further question: what steps are being taken to facilitate the upskilling of Welsh workers? As the MP for Clwyd South, a constituency that has a lot of small and medium-sized businesses, very innovative companies that are relatively small, I suspect that part of the answer lies in the opportunities that arise organically from smaller companies as well as in terms of UK Government strategy.

Could you comment a bit more on the longer-term employment prospects? Also picking up on Minister Trevelyan's point about the holistic approach, because I think it is very important, the interface between education, particularly technical education, and what we are doing here in terms of high tech or green jobs.

David T C Davies: One of the things I am keen to ensure is that, with the growth deal projects that are targeting green jobs of the future, we are not just ploughing money into universities for graduates, that we are



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looking at apprenticeships and giving real practical skills to people who may not want to chase the academic route. That is one of the inputs that I have been giving to the North Wales Economic Ambition Board. I would recommend, if the Committee finds this of interest, that it asks the board if it is willing to present its programme on training people up for the green jobs of the future. It is a programme that was presented to me a couple of weeks ago and I found it fascinating, but I am not sure how much of it is available to the public at the moment.

Obviously there are a number of other schemes, UK-wide schemes, that I am sure will benefit Wales. The Industrial Energy Transformation Plan is one. I think somebody has already mentioned the Automotive Transformation Fund, the £16 million that has been given to Meritor in Cwmbran, otherwise known as Lucas Girling, where I worked myself for 10 years, so I am looking forward to seeing that. There are a whole series of grants based at the UK level that are available and being given out at this moment to companies in Wales.

Anne-Marie Trevelyan: I think one of the interesting things as part of the Low Carbon Delivery Plan is, exactly as you say, recognising the right skills in the right place. That long-term development in thinking about how we will ensure that comes in a number of layers. In the shorter term it is that upskilling to meet new technology requirements and, indeed, the reskilling where we need to, but I think you are right, a lot of the development will come organically as businesses move into the next sector.

Interestingly, one part of the work we are doing with the COP26 presidency is what is called Race to Zero, and that is being led by Andrew Griffith, our colleague from Arundel and South Downs. It is inviting businesses, obviously the major businesses but also SMEs, to think for themselves about how their business is going to contribute to the net zero challenge, and not only in the way they run their businesses now, which is obviously the initial challenge. If they have a fleet of cars, are they going to move to zero emission vehicles? Those sorts of challenges.

It is worth talking to Andrew about this: many businesses are coming forward and thinking much more holistically than that, which is how they can work with their staff to think about how they change their lives, and therefore what their skillsets and future training might be to help them to be in whatever the business direction will be in that net zero world. There is a huge amount of both enthusiasm and real effort, I think, going on in existing businesses to think about the longer term, in a way we haven't seen for a very long time.

One of the outputs hopefully of the Green Jobs Taskforce, and indeed the Government response, will be thinking about how we can most effectively support people through the through-life skills fund that we have set up, and indeed through both T-levels and other new tools, to grow those and ensure that all those coming through into employment will have the



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opportunity to access them. For those older workers who want to reskill and move into work that is part of the net zero challenge, they will have the opportunity to get that retraining.

Simon Baynes: I have seen Andrew Griffith's presentation on that, and it is exciting. Thank you both very much.

Q172 **Chair:** Minister Trevelyan, a number of the policy levers that you just mentioned around skills are devolved in Wales; they are not the responsibility of the UK Government. It comes back to this issue: who is joining the dots in all this strategy? The Welsh Government are responsible for skills; the UK Government have overall responsibility for UK climate targets. There seems to be a lot of different moving parts in this evolving jigsaw, to mix various metaphors.

For example, on offshore floating wind, where are the skills going to come from? Are people being trained to deliver this? Are we getting the port capacity in place to be able to manufacture and construct the enormous blades that are going to be sitting on these turbines, or are we going to barge them across from the continent, which would be the cheaper and the easier thing to do? Who is it? Is it someone in UK Government, someone in Welsh Government, someone out there in industry? Is there somebody leading this project to ensure that there is a UK supply chain, a Welsh supply chain and a Welsh workforce that is going to help deliver this vision of, for example, floating offshore wind?

Anne-Marie Trevelyan: I think it is all of us, it is all three components working together, all working in the same direction. I think the Welsh Government have, as we have indicated, set challenging targets for Wales as well and will want to harness those. In terms of the CfD allocation rounds, where investors bring a project to get a contract for difference, for instance in offshore wind, that clearly is held centrally by the UK Government and provides that security.

I look at the work that we have done on the North Sea transition deal, for instance, with the oil and gas sector, a large part of which is of course in Scotland. The UK Government have worked very closely with the Scottish Government, and the Scottish Government is leaning in again because they want to meet their own national targets as well.

It is very much a team effort across the board. I hope very much that in the outcomes of the Green Jobs Taskforce, if there are clear requests from industry and the unions for the sorts of reskilling and upskilling that can be seen by those delivering this, this will be taken up and supported by all four Governments across the UK to make sure that the industry, which is doing the legwork here, doing the hard yards to deliver it with the contracts for difference support and that framework, will be drawn through by the Welsh Government, too, where it is devolved. Clearly those policy decisions are set at a national level.

Q173 **Ruth Jones:** Thank you to both Ministers for giving up your time this morning. It is very useful as we complete our inquiry into renewables, so



thank you. I am going to follow on from Simon and the Chair's questions about upskilling, moving on to jobs now, because obviously we have heard a lot about the Government's 10-point plan for a green industrial revolution and specifically the pledge that there will be 9,000 new jobs created in this Parliament and up to 250,000 by 2030. How will those 250,000 jobs be split across the UK? Obviously here in Wales we want well-paid, long-term, sustainable jobs, so I am just wondering how they will be divvied up, if you like.

Anne-Marie Trevelyan: I don't have a map yet with the allocation of jobs. I think we are looking across the piece at the moment, and it is an estimate of the likely green jobs UK-wide that come out of the £12 billion of UK Government investment and the three-times matching private investment into those net zero industries. We obviously made those financial commitments in the 10-point plan, but that 250,000 figure represents aggregated growth across all those sectors and regions. I simply could not give you a specific answer if you asked me whether it was Birmingham, Glasgow, Cardiff or Swansea. We are not there yet, but we can see very clearly that in terms of both the upskilling and the reskilling into green jobs skills, and indeed new skills jobs that simply aren't there delivering what we need yet, where we are going to create those, it will be in that margin.

As I said earlier, from what I would call the high street work, from the builder and the car mechanic work, right through to the changes in skills needed in the steel plants and in automotive sector production, alongside generating the offshore wind and so on, which simply doesn't exist yet, we will need that workforce. It is going to be a mix of types of skills, new jobs and reskilled jobs, but without a doubt Wales will have an appropriate portion of those because Wales will be part of the revolution.

Q174 **Ruth Jones:** Can I ask Minister Davies about an appropriate portion? There are going to be 9,000 jobs created in this current Parliament, so how many do you think will be coming to Wales?

David T C Davies: It is up to all of us to make sure we get as many as possible, because the Government have not sat down and said, "Right, there are 250,000 jobs. We are just going to pay the salaries, and we are going to put X here, Y there and Z somewhere else." That is not how it works. This isn't a Soviet central planning committee circa 1950 or something. What we believe, as the Government, is we will create the economic environment that will allow those jobs to grow. By bringing in the carbon reduction policies that we are bringing in, there will naturally be a need for these jobs, so it is up to all of us in Wales in the different areas of government—the UK Government, the Wales Office, the Welsh Government and the local authorities through the growth deals—to make sure we get those jobs.

We made a good start. We worked very closely with the Welsh Government, for example, to ensure that GCORE came to south Wales. The Secretary of State, Simon Hart, was on the phone practically all the



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time trying to make certain that that happened and that it came to Wales, and it has. That is 100 jobs or so created, or will be when it starts. There is the hydrogen hub, which Ms Crosbie was very keen to push. That is coming to Wales.

On the growth deals, we are looking at jobs that will hopefully come about as a result of Morlais, as a result of floating offshore. They haven't happened yet, but the Wales Office is working closely with the UK Government, the Welsh Government and the local authorities in those areas to try to bring those jobs here. We cannot say how many will come. What we can say is that we will do everything within our power in the Wales Office to make sure they come. It is up to others to do the same thing as well.

We were talking about apprentices just now, and it occurs to me that perhaps a slightly more flexible approach from the Welsh Government towards how apprentices are trained might be helpful. It has been suggested that the Welsh Government rely very heavily on local authority-run colleges to provide the training in certain areas, whereas in England there is a more flexible approach that allows private providers to offer training for apprentices. That was put to me not in the context, by the way, of environmental jobs, but in another industry. These are the sorts of things where perhaps we all need to work together.

The simple answer to your question is I don't know, nobody knows, but it is down to all of us to work together and make sure those jobs come to Wales. I can assure you the Wales Office will be doing just that.

Q175 Ruth Jones: I will leave the private-public debate for another day, but in evidence to this Committee in January, the Secretary of State for Wales said that he expects a disproportionate number of jobs to be coming to Wales, but he offered no evidence. Why would he say that?

David T C Davies: I was not there, but I presume he was looking at floating offshore wind and the tidal projects in north Wales. He is very optimistic, as I am, that these projects are going to come off. Look at the money that is going into the Clean Steel Fund at the moment. That is surely something that is going to benefit Wales. Look at the money that has already gone from the Automotive Transformation Fund towards Meritor in Cwmbran. That is going to create jobs, building low-carbon trucks.

We are already seeing the jobs being created, and we already know there are further jobs to come. I am sorry, I don't have a crystal ball, so I cannot say exactly how many of those 250,000 will be in Wales. I can tell you that Secretary of State Hart and I will be doing absolutely everything we can to make sure we get as many of those as possible.

Anne-Marie Trevelyan: I think that is right. There are so many streams to these new green jobs. As Minister Davies says, the opportunity to grow them not only in existing and transforming technologies, but in those new



technologies, which have yet to be part of the production of renewable energy will be an important part of that. Talking to my earlier point about making sure whatever skills and training needs are required, that will be very important for the Welsh Government to make sure that they are providing those so that the industries that are wanting to invest, backed up by CfDs, will know that they can have a great trained workforce coming from the local community, wherever that might be across Wales.

Ruth Jones: Thank you both for your time.

Q176 **Geraint Davies:** Minister Davies, you mentioned earlier that you did not see the grid as a problem on the horizon, and that you are willing to do something about it if there is a problem. We heard from our witnesses that the grid is a critical issue in terms of the speed at which we can deliver renewable projects on scale. Given that we have now had a change in the timescale, this is a critical issue. In particular, there are no particular plans for hydrogen. Are you aware of that?

David T C Davies: As Minister Trevelyan said, we have already earmarked £1.3 billion for expenditure on the grid in south and mid Wales, and £2 billion for north Wales and Merseyside, which is all interconnected. Clearly if you are aware that we need more money right now in order to meet the amount of electricity being put on the grid, that is not something I am aware of. In fact, I don't think all of the money that has been earmarked for grid expenditure has yet been spent. I haven't met National Grid for a year or two, so I am happy to meet it again if you think there is a particular problem.

Geraint Davies: Yes, there is.

David T C Davies: By all means put it to me, and we will talk to National Grid. I am not aware of that.

Q177 **Geraint Davies:** All right, fair enough. Can I ask Minister Trevelyan the same question? The renewable energy industry said this is a critical issue, in particular around ports, and obviously there are the issues around freeports as well, which is separate. In terms of critical infrastructure around ports, there is an issue on the grid. Would you like to comment on the timeframe of a possible hydrogen grid as well? This is primarily about electricity to start with.

Anne-Marie Trevelyan: As I mentioned earlier and Minister Davies reiterated, the expenditure that was allocated for the DNO over this eight-year period, up to 2023, is being spent as required and there does seem at the moment to be an underspend, partly from energy efficiency measures that are taking hold more quickly than presumably were planned before 2015, when this investment round was set up. I think the DNO is developing more innovative solutions to deliver the same outcomes at lower cost, which has to be a good thing. But as Minister Davies says, if there are specific issues of concern we should raise them, absolutely, with the DNO now, but there is money in the pot to be able to make investments and of course the next round will kick in.



Q178 **Geraint Davies:** I am aware that we have looked to halve the time it takes to get the 78% reduction in carbon from 30 years to 15 years, and we have heard evidence from the renewables sector saying they want to get on with it and they see the grid limitations as a critical factor. If we want to speed up, we need to address that pretty quickly.

Anne-Marie Trevelyan: There are two issues. If we are talking about offshore, clearly there are two issues: bringing the energy onshore and the point-to-point issues, which can take time. Those are ongoing. One of the things that we are looking at, and it is running at the moment, is an offshore transmission grid review to think about how we might do this in a more holistic way. I think of it as a ring main with plugs, a very simple-brained way of looking at it, so that rather than having for every offshore wind project a single point-to-point with a grid connection requirement when it hits shore, you have a fat cable into which everyone plugs in out at sea and that comes into one or two places.

That work is ongoing at the moment, led by Ofgem and obviously with all the relevant DNOs working with them on it. I think we should have something on that later in the year to get our heads around. If there are specific development projects that have issues, raise them directly with the Wales Office, but we are not aware of that as such. There is continuing work to think about it. The challenge is as much balancing the grid on land with the variations that renewable energy provides, but as we referenced earlier, we can maintain that in the short to medium term with the gas supplies that we have.

Q179 **Geraint Davies:** Obviously we are concerned about large-scale infrastructure to deliver step change in renewables but, of course, at a more granular community level, there is local ownership and individuals having their own solar power or whatever it is. To what extent are you linked up on the ground, as it were, with the Welsh Government and local government to deliver those sorts of individualistic approaches that we can scale up to something significant? Are you talking closely with Welsh Government about this? Earlier you suggested they were a bit out of the loop on the Government's announcements of bringing forward our ambition.

Anne-Marie Trevelyan: We have regular conversations. In terms of encouraging that individual participation, as we discussed earlier, with the smart export guarantee individuals can already be part of the production of electricity with solar panels and so on. As we move to many more people having electric vehicles into the 2030s, we are also going to see a difference in how we use our wisdom. We have a big piece of work on smart metering and what that means, the ability to understand and make best use of the electricity on the system, where individuals will be part of it.

Where historically we have had a few big generators and that was it, we will have millions of us potentially being part of the electricity system. We are doing a lot of work at the moment to think about how that framework



will work in terms of the link in with the individual. The smart meter, which is something that is obviously being rolled out at the moment into as many homes as possible, is helping provide data to understand most effectively individual use and therefore the opportunity for the individual to take much more control of their electricity and power use than they ever have before. I think we have all been very passive users of power in the past, and that is something that we will need and, I think, want to change because energy efficiency in all its forms is a critical element in making sure that we meet our net zero challenge.

Q180 **Geraint Davies:** In terms of getting, for example, a school to have solar panel roofing, tiling or whatever the new technology becomes, are there incentives in place to encourage individuals, community groups, local authorities and others to convert? You mentioned they have smart meters to measure the benefits, as it were, of efficiency, but in terms of putting more renewables into the grid once we have the capacity to put it in, do we have the incentives in place or do you think the Government should look again? The Chancellor perhaps could look again at providing a greater boost for consumers to switch over, or to encourage more localised renewable energy production.

Anne-Marie Trevelyan: In the summer the Treasury is going to publish its net zero review, which will be its first holistic look at exactly all of those things. There are a number of levers that we use. In the short term, , a lot of BEIS's focus is on making sure that we help decarbonise the industrial sectors, taking out that carbon emission chunk of the whole. The Department for Transport is obviously working on decarbonising our transportation systems. There are a number of things. I don't know, but I am sure Minister Davies can answer if there are specific Welsh ones, but if you want to have a charging point for your electric vehicle at home, there is a grant to be able to do that.

There are a number of things, and over the years as we move through that in terms of helping with efficiency and using different tools that are clean-energy using, we will want to work with industry as a Government to encourage and drive that forward. One of the things I often worry about is that people think this has to be done tomorrow. We are talking about a transition. This is a journey. I don't have an electric vehicle at the moment, but my next car almost certainly will be, because that will be the logical thing to buy.

We will not all have solved it immediately, but in every transition that we all make every seven or 10 years—we move house every so often—there will be opportunities for all of us to shift how we use energy. I think that is very important, that we make sure that people understand. I think people sometimes get frightened that somehow this is something that all has to be done at once. Clearly we want to encourage people to find the right tools and incentives to help them to do it, but it is also over a period of time that this will happen. In the way of things, we will not buy the same old car we bought before; we will be buying a different sort of



technology. I think that is very important. I don't know if Minister Davies wants to talk a little more.

Q181 Geraint Davies: I do want to ask Minister Davies about his specific plans, but obviously the Prime Minister has talked about this journey, that we have to complete this journey in half the time. I am still not quite clear what is going to be different next year in terms of investment and incentives from what we were planning before he suddenly announced this. While I appreciate the direction of travel, I can't appreciate from you precisely how it is going to be different next year from how it would have been, and now we have to get there in half the time.

Anne-Marie Trevelyan: A lot of it is in terms of decarbonising the electricity and the power that is coming to us to use, if that makes sense, so we will be working harder and faster to achieve that, helping to decarbonise the heavy industry sectors and those sorts of things with carbon capture and storage and with moving to using hydrogen more than has been done before, so into a much larger scale. We have committed to 5 gigawatts of clean hydrogen. A lot of it will be moving a lot of what I would call the industrial part of the activity at pace.

Interestingly, on electric vehicles and transport generally, I think consumers are ahead of us on this. I think the drive for all new vehicles to be zero emission in 2030 will move at a greater pace than we expect. It is very interesting to see—

Q182 Geraint Davies: Do we have the charging infrastructure to facilitate that?

Anne-Marie Trevelyan: It is coming. Again, that is a DfT challenge, but it is moving at pace now. That is obviously a DfT role, but it is moving at pace.

Q183 Geraint Davies: BP had a role in rolling it out, and obviously it has an incentive in slowing it down.

Anne-Marie Trevelyan: Not really. It has an incentive in wanting you to go and stop at its fuelling point. It will not be petrol, it will be a fuelling point, because they don't only make their money from the fuel you buy; they make it from the other goods that you purchase when you are there. Keeping those stations moving forward and part of that will all be about being able to get your electric car charged as you are moving around. I think we will change the way we think about electric vehicles, and of course the technology is developing at pace as well.

Q184 Geraint Davies: To David Davies specifically, how is the UK Government and the Wales Office helping the Welsh Government to incentivise local community projects? What is new on the street in terms of why people should suddenly convert to green energy on a localised basis? What are you doing?



David T C Davies: It is up to the Welsh Government to bring forward any schemes they want. The UK Government are already supporting projects like the Cardiff heat project, for example. It has had about £6 million from UK Government. There is a similar one, I think, happening in Bridgend. These things aren't going to happen overnight, and if they do, that change is going to be very drastic. I think we have to accept that the Government have set a timetable, a very ambitious timetable, for becoming completely carbon neutral and net zero by 2050. We are all working to that timetable, but we are not going to see changes happening overnight. If we did, there would likely be consequences that you might not appreciate.

For example, with steel, we already know that one of the reasons why steel companies are finding it hard to make money, they say, is because of the cost of electricity, partly as a result of the various carbon taxes already in place. That is why we are bringing forward schemes like the Clean Steel Fund to ensure that those industries are able to transform themselves over a period of years—they are not going to do it overnight—so that they can produce steel in a net zero way. We have similar schemes for the automotive sector, the maritime sector and, now, for the aviation sector as well, but these things don't happen overnight.

Q185 **Geraint Davies:** No. It sounds like you are slightly concerned about halving the time to get to our targets in terms of the job losses, because obviously it was the Prime Minister who suddenly announced this, not you, and you are concerned that we are going too fast, are you, in terms of the collateral damage?

David T C Davies: No, I am not. I support the Prime Minister absolutely. The Prime Minister is somebody who exudes ambition and optimism, and I think that is wonderful. I am very proud to be able to serve in a small way in the Wales Office in bringing those changes about.

Q186 **Geraint Davies:** Can I bring you back, just for a moment, to your comments about Cardiff Airport? I know you supported the Welsh Government having the power to set our own passenger duty, but do you accept that if more people fly from Cardiff, from Wales, instead of Bristol the carbon footprint will go down?

David T C Davies: I can assure you I support Cardiff Airport. There are a huge number of jobs there, and I am glad there is a review of air passenger duty taking place at the moment. I understand that the Welsh Government want to have control of air passenger duty so they can reduce it. That was the policy a few years ago. The Welsh Government want to see more people flying out of Cardiff. I hope and assume that that is still Welsh Labour's policy, to get as many people flying out of Cardiff as possible so that the airport, which is owned by the Welsh Government, can start making some money.

Q187 **Geraint Davies:** You have suggested previously that that would mean there is more carbon, and I am putting it to you that, if Welsh people



travel shorter distances to a local airport because of incentives, there will be a lower carbon effect if it switches people from going to Bristol. It is reasonable if you want to reduce that rate.

David T C Davies: We are all on the same side on this, Mr Davies. I want to see as many people as possible flying out of Cardiff Airport, and I think you do as well, from the tone of your question. I think the First Minister certainly does—or he did in 2019—and I hope other members of your party on this Committee also believe that we want to see as many people as possible flying out of Cardiff Airport. As soon as the restrictions are lifted, I hope people take their holidays from Cardiff Airport. It is a wonderful airport. Let's encourage people to fly from Cardiff Airport and protect those jobs and the investment that the Welsh Government have made using Welsh taxpayers' money.

Geraint Davies: Fine, so long as overall flying in Britain goes down.

David T C Davies: Yes, we are all on the same side here.

Q188 **Virginia Crosbie:** The Energy White Paper published at the end of last year referenced the ministerial delivery group. How do you see this working in practice, particularly with respect to Wales? We have so much going on in Wales in the energy sector. Just in my constituency we have the Holyhead hydrogen hub and Morlais tidal energy. This is going to have important ramifications for the network infrastructure to support the future of these renewables, grid capacity and co-ordinating in terms of policy. How do you see this ministerial delivery group working?

Anne-Marie Trevelyan: It is already meeting. As I said earlier, the challenge is to make sure that despite the individual departmental responsibilities, which sometimes don't all go in the same direction, we make sure that we can find a way through and as effectively as possible help those new technologies, those developments, those industrial investments to make the progress that we need and want them to do. We are meeting regularly. We met this week—honestly, my sense of time is terrible—to discuss some of the challenges to do with radar mitigations required for offshore wind, working with the MoD and the DfT, and think through the overlapping challenges required so that it can support the sector in helping to find mitigation solutions.

Clearly there are often overlapping challenges with Defra on some of the individual policies, because obviously Defra's responsibility is looking after the sea, if you like, in the broadest sense and indeed the wildlife. It is making sure that we have a clear and coherent policy framework moving forward so that we can maximise the use of our natural assets, both for the benefit of the creation of renewable energy and for making sure that we have both sustainable and protected wildlife solutions as well. It is a very powerful team, and it means all our officials can work holistically together, which is what we need if we are going to do this at the pace—Mr Davies isn't wrong—at which we have set ourselves the



challenge to achieve, but it is absolutely right that we do that, so that is up and running.

Obviously there are also regular devolved Administration meetings between myself and my colleagues in other nations to make sure that we are keeping abreast of the issues and, if there are particular national issues arising, we make sure that we interlay those as effectively as possible. The key here is that everyone has bought into the net zero challenge but, as ever, government is complex and full of potholes that we have to get through together. It is very powerful and already very effective, which is great.

Q189 **Virginia Crosbie:** Minister Davies, given your experience, how do you see this working with the devolved Administrations, and particularly for things like investing in the A55 expressway?

David T C Davies: You can interpret our relationship either way. If you look at some of the stories that come out in the Welsh media, you would think that we don't have any kind of relationship with the Welsh Government in the Wales Office. It is disappointing really, because Simon Hart and I feel that we have a relatively good one-to-one relationship. Simon Hart is on the phone to Ministers in Welsh Government all the time. He has worked assiduously to ensure that the relationship is there. The invitation for Welsh Government Ministers to understand where we are coming from is always there.

Obviously, in other contexts, Welsh Government Ministers have attended meetings to deal with Covid, for example, so they know exactly what our policies are. Yes, we sometimes feel a bit out of the loop and we don't always feel it is reciprocated, but we have worked very closely through the growth deal boards, of course, and I would say I have meetings with Welsh Government Ministers—it varies a bit—sometimes several times a week, other times maybe not for a week or two, but the one-to-one relationships are there. For ourselves, we are very happy to have a good ongoing relationship with them.

Q190 **Chair:** Can I come back to the issue of strategy around floating offshore wind, and perhaps ask both Ministers whether there is a strategy emerging, or in place already, to ensure there is sufficient port capacity? This issue has been raised, the constraints on port infrastructure in Wales to be able to deliver the kind of vision that people have started to talk about of a domestic supply chain helping to deliver these enormous floating offshore wind turbines. Is that happening?

Anne-Marie Trevelyan: Absolutely. We had our first ports competition earlier in the year, in which Teesside and Humberside received funding, because obviously the east coast is further ahead in its offshore wind activity, to help them ensure that those ports could build a more robust UK supply chain. There is a real commitment and an energy from the partners and the developers to want to see that. Government are leaning in very hard to support. I think the Offshore Wind Sector Deal back in



2016 set a target for itself to have a 60% UK supply chain, and Government have helped in that first iteration in those two locations to help those investments develop. We have seen a blade manufacturer on Teesside coming in, which is exciting.

I think this is going to be an iterative process, if I am honest. As we see that development grow, I think the developers will lean in and provide that commitment, because this is their own sector deal that they pulled together. We will work with them and, indeed, with the Welsh Government to think about what those next iterations might best be to support and see that investment. I think we are seeing it start, as that east coast offshore wind commitment is now very extensive, going from what was a 10 gigawatt commitment to a 40 gigawatt one just in normal offshore wind, let alone the next generation of floating. We have seen developers step up a level, and the economies of scale start to make a lot of sense.

I think this is going to be an iterative process as we move forward. It will be exciting, as the floating offshore technologies develop and hopefully we see some initial bids in Allocation Round 4 for the CfD at the end of this year, to give us a sense of the scale of what we are going to want to do to support that UK supply chain.

Q191 **Chair:** Minister Davies, in the discussions that you have been having with port operators in Wales, have you had much discussion around the question of port capacity to deliver the Welsh offshore wind vision?

David T C Davies: The discussions that we have had have so far been around the growth deal itself and the project that has already been signed off, so money has already gone into Pembroke Dock as a result of that project.

I have met at least two of the floating offshore wind companies, and they are happy to have a further discussion about changes to the infrastructure around the ports, but one of the things that would really help here would be a commitment to a freeport in Wales, a freeport that would allow and make it easy for manufacturing to take place. As you will be aware, Mr Chairman, the UK Government have already said that they would like to see one freeport in Wales. That is a manifesto commitment. What we now need is for that commitment to be matched by the Welsh Government. If your Committee has any power or any influence here, that will be very helpful because we would absolutely love to see a port in Wales being used to manufacture floating offshore wind machinery.

Q192 **Chair:** Is the commitment to one freeport in Wales?

David T C Davies: There is a commitment to one, yes. It would clearly be helpful if the commitment was matched with enthusiasm from the Welsh Government. There is a sense in some quarters that that enthusiasm doesn't exist at the moment.

Q193 **Chair:** Are you implying that this now all depends on the posture of the



Welsh Government and that if they are not enthusiastic about working with the UK Government to deliver this, then it ain't going to happen in Wales? Is that what you are saying?

David T C Davies: I am not saying it ain't going to happen, I am saying it is going to happen a lot more quickly and a lot more easily if the Welsh Government get on board now. This is a huge opportunity. There is a huge opportunity here for us to have one freeport in Wales to match what is going on in the rest of the United Kingdom. I am not saying that freeport is necessarily going to be used to manufacture floating offshore wind, which was your original question, but there is a clear opportunity there, perhaps a perfect opportunity, for something like that to take place.

What I am perhaps implying is that I don't feel we have had the level of enthusiasm for a freeport in Wales that we would like. I am not going to say it will not happen. I am definitely going to say it will happen more quickly and more smoothly if the Welsh Government get on board with it.

Q194 **Chair:** We have heard evidence from the Welsh Government on this issue, and one issue they have raised is what they regard as the disparity in funding that is being made available to a freeport in Wales compared with the freeports that have been announced in England. What is your response to that? Are you satisfied that there is a parity of arrangements in terms of funding being made available, or is it that the Welsh Government charge, if I can paraphrase it, is that a Welsh freeport would be done on the cheap, short-changed from UK Government?

David T C Davies: No, that is not the case at all. The UK Government are absolutely clear about this, that they would be making the same offer across the whole of the United Kingdom. My understanding is that Scotland are already on board with this and that the Welsh Government are not fully on board with it, and they are citing other issues as well. No, there is not a disparity in funding.

Q195 **Chair:** As far as I understood it, the way it worked in England, there was an open bidding process and ports and operators put together particular plans. Is it the proposition that a similar process will be followed in Wales and that it would be an open bidding process?

David T C Davies: Yes, that is right, but of course some of the powers that a freeport has are devolved, so it is going to be much more likely that we will get good, strong offers if those making the offers understand that both the UK Government and the Welsh Government are fully on board and signed up for it, because otherwise there is going to be an issue over things like planning and business rates, which are of course currently devolved.

Q196 **Virginia Crosbie:** Can you confirm that it is actually at least one new freeport in Wales? I chair the Anglesey Freeport Bidding Consortium, so I am very concerned that in England the prospectus was published on 11 November and that eight ports were announced in the Budget on 3



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March. Meanwhile we are seeing that Liverpool, which is very near to us in north Wales, will be booming, yet we have had no communication from the Welsh Government. Can you give us your assurances that, once we get past 6 May, we will see some movement here?

David T C Davies: The process is of course Treasury-led, but I can absolutely assure you that the UK Government are committed to seeing a freeport in Wales. All I can do is repeat my earlier comment, which is that we need the Welsh Government to show that same level of commitment and enthusiasm. We are not quite seeing it yet, so over to the Welsh Government really.

Q197 **Chair:** Sorry to press you, Minister, but is it one or at least one? What is your understanding?

David T C Davies: Sorry, at least one.

Q198 **Chair:** Because the most recent letter we had from the Treasury on this seemed to be very singular, emphasising the one freeport.

David T C Davies: My understanding is at least one.

Q199 **Geraint Davies:** I understand the Treasury has made it clear that there will be one Welsh freeport, and that Welsh freeport will get £8 million. If it is in Holyhead, it will get £8 million, for example, to protect itself from Liverpool, compared to Liverpool getting £26 million, and it will be started earlier. Even if the Welsh Government comes forward, it will have a third of the resources of Liverpool and that will strip out jobs and opportunities in north Wales. If they choose instead, for argument's sake, to put it in south Wales, in Pembroke or wherever it happens to be, again Holyhead and north Wales will be undermined by Liverpool. Won't you now fight to have equal investment in Welsh freeports?

David T C Davies: Of course I would, but my understanding is that there isn't going to be that funding disparity and that those figures are not quite correct. We have seen figures being misused most recently, for example, over agricultural payments. The specifics I can write to you about, but I understand that the funding arrangements for a Welsh freeport are going to be discussed with the Welsh Government.

Q200 **Geraint Davies:** The numbers from the Treasury are £8 million and £26 million, which I just quoted. It is no surprise that the Welsh Government are holding back, meanwhile Holyhead—

David T C Davies: I have seen those figures. I have seen an explanation of them, and I don't think that is quite accurate, but I am not going to try to get into a complicated discussion around it right now. I can write to you with that, but I have seen the argument made, I have seen the counterargument and what you are saying isn't as I understand it.

Q201 **Robin Millar:** My understanding of the freeports programme is that it is about stimulating economic activity and growth. My understanding was that the bids being put in were based on merit, and the idea was that the



plans would be tested for their ability to stimulate growth. These were not seen as handouts and dollops of money being given, because everybody else had had their dollop.

I am glad to hear that Wales will have at least one, but surely—if my understanding is correct—what you are saying is that it opens up the possibility for more where there is merit in those bids. Presumably that is the key factor in any decision made on freeports, just how much they will contribute to the GVA and the economic growth of the areas they are being proposed for. It is perhaps a secondary consideration, this sense of, “Well, they got more than we did.” Have I misunderstood it?

David T C Davies: I don’t think so. “At least one” clearly implies one, and possibly more than one if a good argument for that can be made, but what is also correct is that some of the potential advantages that come from having a freeport, such as changes to planning and changes to business rates, are currently devolved. Without the full enthusiasm of the Welsh Government, it is not going to be quite as straightforward to bring about even one freeport. I can’t really add anything further, except that perhaps it is a separate inquiry for the Committee, because we have gone a little way from green jobs.

Originally I just made the point that a freeport might be an ideal opportunity for an industry that wanted to create floating offshore wind. I think I have perhaps taken the Committee off on a tangent that I was not expecting to go down at the moment, so I will leave it at this: at least one freeport in Wales. I do not accept the funding disparity, and I think it is a perfectly reasonable comment to make that the enthusiastic support of the Welsh Government will make it much easier to bring this about. I don’t think I can add further to it.

Chair: Minister, thank you. I appreciate you might feel like we have gone on a tangent, but there is some overlap between ports strategy and green jobs, so unfortunately the floodgates or the dock gates have opened.

Q202 **Ruth Jones:** I appreciate we are moving on, but it is quite an important time. As we have you here, Minister, it is a fantastic opportunity for us to quiz you, so thank you for that. Also in terms of freeports, is it not true that there is a swathe of evidence that shows freeports do not contribute to the local economies, they are very much bubbled and they very much keep the money that they create within the freeport itself? The evidence across the world shows that these are ideal places for tax havens and for smuggling and other illegal activities, which is why the Welsh Government are so cautious about giving their full-scale support on these things, because the evidence doesn’t support it.

David T C Davies: I am sorry to hear that that is the Welsh Government view. Of course there may be freeports like that in different parts of the world, but that would depend on the regulatory regime of Governments in other parts of the world. The idea is very simple, that goods that move into a freeport are not subject to tax until they leave the freeport area



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and enter the United Kingdom, for want of a better word, which means that companies that are manufacturing things, putting together things using materials that come from all over the world, can set up on a freeport knowing that they are not going to have major tax and bureaucratic issues.

The things that leave the freeport and go abroad would obviously not be subject to UK tax, but of course the people working there will be paying tax on their salaries and it will create jobs. The goods that go into the United Kingdom, as it were, from the freeport will be subject to tax. The principle is great. The strong regulatory regime that we have in the United Kingdom anyway means that we are not going to be subject to the sort of problems that might happen perhaps in other less regulated parts of the world.

I think it would be very unfair to compare a freeport in the United Kingdom with a freeport in—I don't want to pick countries out, but countries that are not in western Europe, North America or Australasia or some parts of Asia. There are countries, of course, that have very low standards and very lax regulatory regimes, and that is not in any way the sort of thing envisaged.

Ruth Jones: To be fair, the evidence I was quoting was regarding western European ports.

David T C Davies: I would be interested to see it, but I am sorry the Welsh Government feel like this. This is the problem we have, because they have that view and they are looking at one piece of evidence, not other pieces of evidence, there is a lack of enthusiasm there. I am sorry about that, because I think we are missing out on something that could create jobs and make Wales a great place to come and invest.

Q203 **Chair:** Minister, on this funding issue, the money issue, it would be helpful if you could write to us as a Committee to clarify the UK Government's approach. I recall, having read the transcript of the Chief Secretary to the Treasury's evidence to the International Trade Committee towards the end of February, where he seemed to be saying that the seed funding being provided for freeports would be on a Barnett basis when it came to Wales and Scotland, which I think is at the heart of where some of this argument lies.

It would be really helpful to know what the latest is, and indeed what the latest is in terms of negotiations or discussions with the Welsh Government on these matters. We have been trying to follow this issue as a Committee, and we have a big interest in supporting this. Indeed, the initial report that we produced as a Committee was supportive in principle of at least one freeport being in Wales and we would like to see that happen.

David T C Davies: I understand that funding arrangements are going to be discussed with the Welsh Government after the election. I have that on fairly good authority. I hope that is helpful.



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Chair: Great, thank you very much. We are just about out of time, so it is probably a good moment to draw proceedings officially to a close. Can I just say a huge thank you to Minister of State Trevelyan and Minister Davies? You have been incredibly helpful in your answers, and you have been very frank with us. We really appreciate it. My thanks as well to my fellow Committee members for making this a very useful session this morning. Have a great prorogation, everybody, and we will see you on the other side.