HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: Wylfa Newydd nuclear power station, HC 1938

Tuesday 12 February 2019

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Watch the meeting

Members present: David T. C. Davies (Chair); Tonia Antoniazzi; Chris Davies; Susan Elan Jones; Ben Lake; Jack Lopresti; Anna McMorrin.

Albert Owen, a member of the Business, Energy and Industrial Strategy Committee, was also present.

Questions 1-85

Witnesses

I: Gwen Parry-Jones OBE, Director of Nuclear Operations, Horizon Nuclear Power.

II: Rt Hon Alun Cairns MP, Secretary of State for Wales, and Richard Harrington MP, Parliamentary Under-Secretary of State, Department for Business, Energy and Industrial Strategy.

HOUSE OF COMMONS

Examination of witness

Witness: Gwen Parry-Jones

Q1 **Chair:** Prynhawn da. Good afternoon. May I welcome Gwen Parry-Jones to the Committee? Before I do, I will introduce Albert Owen. I do not think he will need a lot of introduction to anyone, but he is formally joining the Committee today, because he obviously has a great interest in and knowledge of the situation. Under Standing Order 137A, he is a member of the Committee for today.

Ms Parry-Jones, thank you very much indeed for coming along to talk to us about the situation. I am sure that it will have come as a disappointment to you, as it has to us all. Could you take the Committee through what happened, and the background to this decision to apparently just suspend work on the Wylfa project?

Gwen Parry-Jones: First, thank you very much for inviting me here to speak. If it's okay, I would like to be addressed as Gwen.

Chair: That's fine by me.

Gwen Parry-Jones: Where to start? In terms of the Horizon project to build the Wylfa Newydd advanced boiling water reactor, I think of it in three main categories really. We were working on the technical proposition. We have been working on the licensing and the permission to operate. We were also working on the financing of the project.

Breaking those three down, on the technical part, we needed to show that we had the ability to design, build and then operate a nuclear power station in the UK regulatory environment. Progress on all those items was going quite well. We had the generic design assessment for the advanced boiling water reactor. We had placed some of the major contracts in terms of how to build the units with some of our partners in the supply chain, nationally, internationally and locally. We were also building a utility company in order to operate the power station in future, and we had applied for our site licence from the Office for Nuclear Regulation. On the technical side, I would describe us as making great progress.

Moving on to the licensing and permissions side, again, a number of permissions were in progress, including our main planning permission under the development consent order process, which I will come back to if Members would like. We had also applied for some of our marine and other permits. I would articulate that those were well into the process—obviously working through some issues, but broadly going as expected.

The other element of permissioning, I suppose, is local community support. We found through individuals, our local councils in north Anglesey, the regional councils, and into the Welsh Government that we were benefiting from what I would describe as very positive support for the project and the benefits that it could bring.

The technical side was going fine, and on the social and permissions part we were making great progress. That leaves, obviously, the financial part of the project. In terms of where we have got to with the deal—clearly Members will know this—we failed to agree on how to finance the project. We could not find a construct that worked for everybody, despite an enormous amount of effort that was put in by all parties.

Q2 **Chair:** Was that financial issue the only issue? Is that the thing that we should be thinking about and looking at? Were there any other factors at all, or does it really come down to money?

Gwen Parry-Jones: In my view, it did come down to the fact that we could not, despite the best efforts of all parties, get the structure that was envisaged for financing this project to work.

Q3 **Chair:** Who made that decision? Was it Hitachi, Horizon or the Government that decided that it all had to be suspended?

Gwen Parry-Jones: Clearly, as we were working through the construct, as I said, what I can describe is a great amount of effort put in by every party. But, in the end, the shareholder decided that, given the situation that they were in—that we could not make a deal for everybody—they were required, from a corporate governance point of view, to stop and suspend the project. I emphasise that the words have been chosen very carefully. In the Japanese sense, they have been translated as between "freeze" and "suspend". That is where we are.

Q4 **Chair:** Right—a suspension. This is not necessarily the end of the story.

Gwen Parry-Jones: I am from the local community and I greatly hope that we can find a way to revitalise this project, but it will need a change in the financing proposition.

Q5 **Chris Davies:** Thank you for that brief explanation. Can I just check something? Before this went ahead, I thought that the Government had indicated how much they were prepared to put into this scheme. Is that correct?

Gwen Parry-Jones: We had had some initial discussions. Obviously, we entered into a negotiation following the Secretary of State's announcement around June. So, yes—we had a shape of the construct that we were trying to work to.

Q6 **Chris Davies:** So is the issue the increased cost, because it was perceived that the costs were higher as you were going through this process? Were the costs more than expected and therefore there was a shortfall, or what was the issue?

Gwen Parry-Jones: In terms of what it came down to, it was not the cost. It came down to the structure of how the shareholder was being asked to participate. Without repeating myself, I guess that we could not find a deal that worked for everybody. One particular issue was the timing of the returns to the shareholder.

Chris Davies: I see.

Q7 **Albert Owen:** On the tripartite, when the announcement was made by the Secretary of State in the House of Commons last year, he spoke of a memorandum of co-operation between the company and the UK Government, and the third party was the Government of Japan. Did they have any input in making the decision to suspend? Did they have separate talks with Hitachi, for example?

Gwen Parry-Jones: The construct that was imagined through some of the early discussions clearly needed to pass the state aid test, and therefore we were looking for all parties to participate in the broad deal that I know you will have studied. I can say that every party did their very best in every way to try to make that work, and they came to the table with enthusiasm to try to resolve it, but in the end we were unable to find a deal that worked for all parties and we found ourselves with a deal that was not fully funded.

Q8 **Albert Owen:** Just to follow up, what role would the Government of Japan have played in this? There was a private company and the UK Government—the Treasury had committed to supporting it—but you are not aware of an equivalent of the Treasury through the Government of Japan.

Gwen Parry-Jones: Not in that way. We were trying to create a construct that worked across two parties—between Hitachi and the UK—then look for partners to enable us to pass the state aid test. That is really the sort of shape of what we were trying to create, but as I said, we found ourselves with a deal that was not fully funded.

Q9 **Ben Lake:** What steps are being taken at the moment to support anyone who has been affected by the suspension of the work?

Gwen Parry-Jones: I am from the community myself—I am from Llandegfan, and I returned to Anglesey in order to work on this project. I can say that everybody is feeling it very acutely. I think there is great disappointment because of the tremendous missed opportunity that we may have been able to get from a project of this nature. We are finding that we have had tremendous support from local businesses, the industrial sector and some of the colleges and academic institutions. We hope to be able to place some our staff in some of those industrial settings, partly because we have really good staff and have trained them really well. In terms of people finding jobs, I think there are some good signs that they will, but the issue is that they might not all be local.

Q10 **Chris Davies:** Back to me again, I'm afraid. We have heard that there is a gap somewhere in the process—I'm unsure where that is, or who is responsible for it. In your response to Mr Lake's question, we have heard that the local community is desperate for this to go ahead. What can we do to bump start this and get it going again?

Gwen Parry-Jones: The Wylfa site—in my opinion as a nuclear engineer—represents potentially the best site in the UK from the point of view of geology, cooling water and many different aspects. I also think that the advanced boiling water reactor technology is best in class. For me, the imperative of trying to keep the project as the next in the line is quite important. You will have noticed that, as I mentioned in an earlier answer, we have decided to complete the development consent order. That is to try to keep the project alive should Hitachi decide that it is able to come again, in terms of seeking financing for this project.

Q11 **Chris Davies:** Who is paying for that continuation?

Gwen Parry-Jones: It is covered by our transitional costs. Because we are actually very close to the end of the DCO process—so it is being held within our consultation period with our staff—we are able to finish the bulk of the work.

You asked what I think may need to happen. I really think that one of the key opportunities is for us to work with officials to make sure that we fully share the detail of how we got here and feed that into the definition of the proposed White Paper over the summer, which in my view needs to answer some of the critical questions that we have failed to answer in this project. Whether that is an examination of the regulated asset base model or other financing techniques, that is probably what needs to happen for this project.

Q12 **Chris Davies:** What would you like us to put to the two Ministers who will be sitting in your place very shortly?

Gwen Parry-Jones: In the mix of technology that we will need over the next decades, I believe nuclear can play a big part. However, I think the White Paper needs to address some of the failures that we have demonstrated through our project and look at things like how to create the role of the developer. A lot of the technology providers wish to be a vendor, so in the developer-led arena, how do you create a model that works for a private shareholder? I am keen that we engage with BEIS officials to make sure that we put some of that thought process into the definition of what the White Paper may cover.

Q13 **Anna McMorrin:** May I probe you a little further on the financing model? What could you see the UK Government coming up with as an appropriate financing model to sustain the future of big projects like this? The tidal lagoon was not given the go-ahead, mainly due to financing, and now we have seen this. There seems to be a recurrent pattern of the UK Government not being able to finance big projects that could be used in transitioning to a low-carbon or zero-carbon economy. What would you say needs to happen? What kind of financing solutions should be on the table?

Gwen Parry-Jones: I suppose the answer may be to look at a number of areas. One may be somewhere in our history, where we have had models that enabled us to build big infrastructure projects like the Thames Tideway. It has to address the critical issue for us, which is the timing of returns. The examination of the regulated asset base model will therefore be an important step. That may answer part of the question; the other part is the issue of developer-led and what it really means for private companies. I would hope to see some of that come through in the White Paper.

As I have said a number of times, this did not fail through lack of trying. There was a willingness on all sides to look at the construct and see whether we could shift it to meet all parties' requirements, but we were unable to do so.

Q14 **Chair:** Dare I say that you have just used an interesting tense? You said that it "did not fail through lack of trying", rather than that it "is not failing through lack of trying". That implies that you think it has already failed. What I am worried about is that, although there is some hope offered that this may get up and running again, you are giving me the impression that you don't think that that is altogether likely.

Gwen Parry-Jones: I apologise if I gave that impression. That is not my view. What I really meant by that is that the financing envisaged by this phase has failed. My view is that if we tried again, we would not get a different result with this financing set-up. However, the Wylfa site remains an extremely good site for a nuclear power station. The community and the support that we are getting locally makes it an ideal place, I hope, for the next nuclear power station in this country, but we need to solve some of the financing issues before that becomes a reality.

Q15 **Chair:** Hinkley is being offered £92.50 as a strike price. The Government were apparently offering you £75 plus a finance deal. Do you think that the overall package that they were offering amounted to the equivalent of £92.50, or was it significantly less than that?

Gwen Parry-Jones: We didn't do those direct calculations, because obviously the situation is quite different. I think that what was on offer, given the project that we were running, was a fair and reasonable thing to ask. It didn't fail through a lack of ambition to make it work. It failed structurally, actually. The timing of the returns and the ability to have it fully funded was the reason it failed, not the quantum.

Q16 **Chair:** I am going to ask you the question I asked you outside, which is whether you will give the layman's guide to a regulated asset board. I have read it, and it's not something that trips off my tongue very easily, so maybe you could do a better job.

Gwen Parry-Jones: With due respect—I am really sorry to say this—I am no expert in the regulated asset model.

Q17 **Chair:** How does it work? There might be people watching this who are also unsure.

Gwen Parry-Jones: My understanding of the regulated asset base is that it allows you to receive a regulated income early in the development and build phase of an asset so you are getting returns early, rather than waiting. If we were building a nuclear power station of, say, a decade-worth of build, we would have to wait until we had become operational before we saw any return. That is a big issue for private investors and shareholders. My understanding of the regulated asset base is that it allows you to bridge that gap.

Q18 **Chair:** So to some extent the Government takes some of the risk of the asset not being completed.

Gwen Parry-Jones: Through the consumer.

Chair: Okay. Jack, some of your questions may have been answered already.

Q19 **Jack Lopresti:** That's all right. Looking strategically at the UK's ability to generate its own power, if this project were not to restart—let's say it is frozen indefinitely; we don't want that to happen, but let's say that from an abstract point of view—what impact would that have on our ability to generate our own power?

Gwen Parry-Jones: I have studied some of the national grid scenarios on what energy demand we may have over the coming decades. Energy efficiency, the electrification of vehicles and domestic heating are the three key variables.

I came from the operational nuclear part of the UK fleet, and that remains a really important part of the energy mix. I was looking this morning, and I think it provides about 20% or so of the UK's energy needs. What is important is that we retain those skills through this period and do not lose them, which would mean that we could not restart in that way. Having a pipeline of projects that follow each other or even run alongside each other and keep the supply chain, the academic community and the nuclear professional community healthy would give us our own security of supply and meet our decarbonisation ambitions. For me it is really about having continuity. It is about having career paths for individuals so that people stay in the sector, which allows them potentially to move from project to project, either in the supply chain or even in the commissioning or operational phases.

Q20 **Jack Lopresti:** Are there any other countries that are doing this sort of project in this way and succeeding—perhaps building something slightly different—looking from an industry point of view? Is there anything about this model that is particular to the UK which means that it is not quite working or getting put together?

Gwen Parry-Jones: I have not studied the international situation. I have probably lost track of that over the last few months, with all that has been going on. My view is that we are probably one of the few who are trying to be purely developer-led. Therefore probably part of what we need to look at is to compare and contrast all of the different models that have been used globally. I think, partly, it is the developer-led issue here.

Q21 **Jack Lopresti:** Oldbury is not far—it is in the adjoining constituency to mine. Is there anything unique to that operation, or is it very much that they have to go forward together? There couldn't be a separation of the development per se. Are they part of one package, essentially?

Gwen Parry-Jones: The Hitachi asset obviously extends to both. There are options for extending. The Wylfa site, in particular, is large and therefore could extend beyond the initial units, but Oldbury, in terms of the package, is not tied or untied in a particular way. Clearly economies of scale are potentially critical. When we talk about reducing costs to the consumer, that will come through the economies of scale when we get beyond a UK first of a kind. I should say, obviously, that this is not a first-of-a-kind technology either. With the ABWR—the advanced boiling water reactor—there are four units that have been successfully in operation and there are two in various stages of build. The economy of scale is perhaps best served if the sites are kept as one asset together.

Q22 **Albert Owen:** Gwen, can I just go back to a question that Ben Lake asked about personnel and job losses? You and I are both from the locality, and we know that you had some excellent people, particularly the young people and apprentices. There were 33—I think the figure was given to me when I came 10 days ago and met them. What sort of future will they have in north Wales now? How, with the suspended project, can they get the necessary skills—those who are in the first year would perhaps be looking to come back to the project—to ensure that we retain that skill base in north-west Wales? How does that impact on the training providers and on work experience? Could you outline what your plans as a company are for these very talented young people?

Gwen Parry-Jones: First, Albert, I would like to thank you for coming to the site. The staff and myself appreciated hearing your perspective on our work, and also that you listened to them. We have 33 very talented apprentices split over three years of intake. We had about 250 applicants, who were very high quality, for each of those cadres of apprentices. I think they represent some of the best that we have to offer in north Wales. They are obviously in the first, second and third year. The third years are currently on placement in a Spanish power station learning some of their trade through operational activity, and the first and second years are obviously still in Coleg Menai, in the new engineering centre that has been built in Llangefni.

We have been very pleased to receive a number of industrial offers to look at how we best use those apprenticeships going forward. What I can say is that we intend to complete supporting them through their three years. What I mean by that is the salary that we pay them, but also that their training will be completed through the Coleg Menai-Grŵp Llandrillo Menai support. There is a great team there ready to deliver that.

What we are working on now—I am sure, Albert, you will understand that some of these details are confidential because they are commercial—is figuring out how best to offer a future employment route. We have had a number of industrial offers from around the country. We are just trying to make sure that we hear what the apprentices want before we finalise the arrangement for those extremely talented people.

Q23 **Albert Owen:** I understand that the individuals might have career choices that they wish to pursue, but my concern is that—I think you share it and certainly the local community shares it—these people move away and never come back to the area. I understand the commercial sensitivity, but is it possible for many of these work placements to be in the locality—in other words, in north Wales? We have got Airbus and RAF Valley, with some of the maintenance there, and those are high skilled jobs. They can have work experience so that they can plan their careers in north Wales, if not north-west Wales. When you talk about other parts of the country, the difficulty is that many of them might have young families. If they settle in another area, that is a huge loss to north-west Wales.

Gwen Parry-Jones: Indeed. As you know, I am a part of the community and my career path has taken me and brought me back. One of the main factors that we are looking at in what we do with the apprentice scheme goes exactly to the point that you make: what is the local offering? For some of these young people who might be 16, this is really important. A lot of them want to stay locally, so we are trying to make sure that we weight that part of the offer very heavily.

Q24 **Albert Owen:** Moving on, I want to ask about the announcement and the impact that it will have on the nuclear sector in this country, but in north Wales in particular. We will ask the Minister of State and Secretary of State for Wales questions when they come in, but you will recall that the launch of the nuclear sector was in north-west Wales because it was seen as a potential centre of excellence with the Horizon project, the research in the area and the small modular reactors at Trawsfynydd. Where do you think this decision leaves the nuclear sector in north Wales? The announcement was seen as a big blow. How can we rebuild to ensure that that centre of excellence—the idea and concept—is turned into reality in north Wales?

Gwen Parry-Jones: I share the disappointment. It has been quite a heavy blow to individuals as well as to some of the supply chain who had been heavily involved and were looking for the transformational opportunity that the Wylfa Newydd project might have represented to them in this form. We have participated in some good work through Horizon on the growth deal. I still think there probably are some opportunities with some of the projects envisaged by that growth deal to make sure that we keep leveraging and developing the skill base. Remember that our project is suspended, not terminated. If the project were to come again, having the skills and that sort of trajectory is clearly an advantage. I hope that some of that is still possible through the growth deal.

Q25 **Albert Owen:** Part of that growth deal was the Bangor University project for research in the nuclear industry. Is there anything you can do as a company with Hitachi to ensure that that goes forward, because much of it is public sector money. For the base to be successful, they need some private income into the project. Was it your intention to fund some of that? You have been major beneficiaries from it as an industry and as a company. I am going to put you on the spot here, Gwen. We will ask the politicians the same question: what can be done by the Welsh

Government and the UK Government, but also what can be done by Hitachi to ensure that that stays on course for the mutual benefit of the region and for all the players, including yourself in the future?

Gwen Parry-Jones: I guess the first thing to say is that, clearly, the project is suspended, but Hitachi obviously has various interests in the UK. I met the boiling water reactor hub people last week and Bangor University more generally, and I was pleased to hear that they have received notification that Hitachi will continue its funding of the BWR hub for this calendar year, so that gives a platform by which we can still work on that. The issue is that the project is suspended, so for us to promise anything in relation to the project is not possible. However, Hitachi has a broader footprint.

Q26 **Albert Owen:** Finally, you have committed to the end of the year and you will honour that commitment. People like me are going to come after Hitachi over the next 12 months and ask it to extend it. It is not a lost opportunity.

Gwen Parry-Jones: The BWR hub, through its support from Hitachi and through other means, is a very useful bit of work that is collaborating across different universities. As long as a commercial case is made for it, it is certainly something we should continue to discuss.

Q27 **Susan Elan Jones:** I have two quick questions, one on the back of what Albert Owen said. It sounds like a really competitive thing to become an apprentice, but from what you say it is highly likely that these apprentices will be lost from north-west Wales forever. Is that a fair assessment?

Gwen Parry-Jones: We are working through opportunities with different industries that might mean that opportunities remain in north Wales, but I am unable to confirm the exact shape of that at the moment. In the end, one of the things we have been really keen to stress is that it is for the apprentices and—I am sure they won't thank me for saying this—given that they are such young people, their families as well, to make a decision about what is best for them individually. We did not really want to dictate one thing or another. We want to give them the opportunities—the range—and I can confirm that some of those would mean that there was an opportunity to stay in north Wales but others would take them further afield.

Q28 **Susan Elan Jones:** They are going to have a very specialised skillset, which will be hugely marketable, but if a certain line of industry has gone, it will not be marketable in that area, will it?

Gwen Parry-Jones: We are producing young people who have the ability to work in certain fields—mechanical, electrical, control and instrumentation and so on—and a lot of those skills are transferable. We were tuning them in for a nuclear power station operation, but they are transferable to other large industry, whether aircraft engineering or other things, so there will be opportunities for them. As I say, we hope that some of that will be in north Wales and we will do our best to ensure that it is weighted that way.

Q29 **Susan Elan Jones:** Could I just ask a question about the impact of all this on the north Wales growth deal? Is it fair to say that the news has been a bit of a hammer blow for the north Wales growth deal?

Gwen Parry-Jones: As I have said, it has been a really disappointing phase and I feel it very acutely, being from the community. On the specific question about the north Wales growth bid, the Wylfa Newydd project itself was not inside that envelope. There are a number of potentially related activities, and I think maybe we just need to examine some of the commercial propositions around some of the things that were involved in the growth deal. It is probably not necessarily for me to comment on all of that, in terms of the discussion, at this point.

Q30 **Chair:** Gwen, to close this, how long could this be suspended for but still be viable?

Gwen Parry-Jones: We are obviously limited by some hard factors. I suppose that in extremis that could be the duration of our planning permission. Should we be awarded the development consent order, which will be determined in the autumn, that has a longevity of five years I think. Clearly, the intent is to find a way through, particularly through the work being done on the RAB model and the White Paper over this summer.

Q31 **Chair:** Essentially, Horizon is a sort of delivery vehicle, isn't it, that is wholly owned by Hitachi? Would it be possible that over the course of that five years, somebody else might come along and purchase Horizon and take on the responsibility for it all if, as it appears at the moment, Hitachi is not that enthusiastic about going ahead with it?

Gwen Parry-Jones: I hope I have not portrayed Hitachi in that way, because I am not sure that it is a fair assessment. I think that they have suspended the project, are taking stock and are looking at how to reinvigorate the project; that is one way of describing it. I think the issue is that the model of being the developer and the potential utility was not working, and the Horizon company will be dismantled over the coming weeks.

We are in a staff consultation period, which ends in early March. After that point, the intention is that most staff will be served notice. Therefore, the Hitachi-Horizon vehicle does not exist in the construct going forward. I think that is an important point. Moving forward, the developer-led piece may need examination, as I mentioned earlier, but Hitachi-Horizon will not exist as it does today.

Q32 **Chair:** You said in your first answer pretty clearly that this all comes down to money. You didn't put it quite like that, but I think that was a fair impression for us to draw. If the Government offered a package that amounted to the same strike price that they are offering Hinkley—£92.50 per megawatt-hour—would that be enough to get Hitachi back on board with this?

Gwen Parry-Jones: Again, at risk of being a pedant, I don't believe I said it came down to money. I think it comes down to the financing structure. I don't believe even in the construct of it being a higher strike price that we could have solved some of the structural issues.

Q33 **Chair:** It is more, really, then, about where the risk lies.

Gwen Parry-Jones: It is having a fully funded model with returns that are early enough for a private investor. That balance—return, risk, strike price—is the formula that we are all trying to solve. I don't think it comes down to the end price. It comes down to the construct and the structure.

Q34 **Chair:** To where the risk lies, then.

Gwen Parry-Jones: Indeed, that is part of it, yes.

Q35 **Chris Davies:** On that point, are Hitachi playing poker here?

Gwen Parry-Jones: I can confirm that the deal did not work for all parties. I do not believe there is any gaming going on at all. The stakes are far too high. In terms of the impact on the individuals and on their business model, it is not something that in any way I imagine Hitachi are doing.

Q36 **Chris Davies:** Correct me if I am wrong, but I think the Hitachi chairman came out and said that the nuclear industry and this particular scheme should be nationalised—nationalisation is the only path. If that is the case, would Hitachi be happy to go along with the scheme if they were going to build it for the Government, and the Government took on all the risk?

Gwen Parry-Jones: With respect, I think that is a matter for Hitachi. I can speak on behalf of Horizon and obviously we are a Hitachi company, but I think that is a matter for Hitachi.

Chris Davies: Only airing my thoughts. Thank you.

Q37 **Albert Owen:** The Chairman talked about the RAB model, and I will ask those questions in another Committee as well. Timescales are important here and the quicker the energy White Paper is produced and the quicker the legislation goes through the House, the quicker companies like yourselves and other projects around the country can go forward. What advice would you give the Government on this matter? I know you don't speak for Hitachi, but there seems to be consensus that it broke down because the model wasn't working. Other projects—I'm talking Sizewell; I'm talking New Bradwell—are already in discussion with the Government on the potential. The quicker the better, I am sure you will agree. What needs ironing out that cannot be done quickly through delegated legislation? Why do we need to change the whole energy structure for this to happen?

Gwen Parry-Jones: In terms of immediate next steps, we have already started partly down that road, working with BEIS officials on how to assess how we got here and what the key issues are, but also then to make sure that we get involved directly in the regulated asset-based discussions that are ongoing, and to help define—we hope—some of the questions that we think the White Paper could address. Those are the immediate next steps. Clearly, as I demonstrated earlier, I am not the expert on RAB, but my understanding is that it will require primary legislation potentially to be enacted. If that is the case, if that is going to be the solution, the sooner we start off down that track, the sooner we can work on our project at Wylfa Newydd again.

Q38 **Albert Owen:** You would like to see a White Paper that has a number of options, so that Horizon Hitachi can go back to negotiations with the Government.

Gwen Parry-Jones: I think that is Hitachi's strong will.

Chair: Thank you very much indeed for that, Gwen. It is very kind of you to come in and give us that summary. I am just trying to see if the Ministers are outside, so I know whether to suspend the meeting or not, but anyway, thank you very much indeed.

Examination of witnesses

Witnesses: Alun Cairns MP and Richard Harrington MP.

Chair: Gweinidogion, diolch yn fawr iawn am ddod yma heddiw. Fel y gwelwch chi, mae croeso i chi roi tystoliaeth yn Gymraeg neu yn Saesneg.

(Translation) Thank you very much for your attendance today, Ministers. As you can see, you are more than welcome to provide your evidence in Welsh or in English.

I think, however, the first question is going to be in English, so I will start with Albert Owen. Thank you very much indeed, both of you, for coming here today.

Q39 **Albert Owen:** Secretary of State, you said last June that Wylfa was the biggest infrastructure project in Wales for a generation, and could bring significant benefits to the economy. I agreed with you, and we had discussions, and I welcomed the Secretary of State's statement to the House of Commons at the time. How big a blow is the announcement by Hitachi for north Wales and the economy of Wales as a whole?

Alun Cairns: Clearly, it is disappointing that we are in this position, and that the project is being suspended. I remain optimistic that because of the quality of the site, the commitment that Hitachi has already shown to date and its commitment to continue the DCO process and keep that live demonstrate a will to continue, but naturally it has challenges.

As you will have heard from Gwen Parry-Jones, the financial model needs to be considered and looked at. The Government have gone to a significant degree in terms of equity share, covering the debts, as well as looking towards potentially bringing forward legislation for a RAB model.

They are keen to see these sorts of projects continue, but without question Wylfa is one of the premier sites, not only in the UK but, I would say, in Europe.

Q40 **Albert Owen:** I do not dispute any of that, but the second part of my question was how big a blow it is for the north Wales economy and for the economy of Wales. Quite rightly, trying for it as the largest project, lots of players in the supply chain—contractors, colleges and local authorities—have invested a lot of time, effort and money in this project, so how big a blow is it? What kind of gap does this leave?

I have to say, as somebody who has been arguing this with you in the Chamber, that this is not an isolated case. A number of major projects have not gone forward in the past five years: the tidal lagoon is one that comes to mind. In north-west Wales, we have had the Rhiannon Celtic Array for offshore wind; for biomass, Orpheus is stagnant at the moment; and then there was the Skerries array, which Siemens invested in. These were all large projects destined for north-west Wales, and the Minister, whom I will come to for a supplementary in a moment, came up to north-west Wales and said, "This is a centre of excellence for the nuclear sector."

The Welsh Government have invested heavily in renewables and other forms of technology. North-west Wales prides itself on being a potential centre of excellence for energy projects. This decision is on the back of a bit of a trend, and these are issues that I have been concerned about for some time. It has not just happened; in the last five years, we have had projects fail. How do you, as the Secretary of State—this has happened on your watch—say, "This is disappointing, but we can do A, B and C"?

Alun Cairns: In the first instance, I would say that every project has to be assessed on its merits. You mentioned the tidal lagoon. We know that that was 2.5 or three times the cost of alternative energy supplied on that basis, so no business or organisation would want to fund that sort of project at that cost. We still remain open to projects that come forward that are realistic and that will provide good value for money for the consumer and good value for money for the taxpayer. You have to compare and contrast each project on the merits on which it stacks up.

On this project, this is the best site. Hitachi or Horizon have already spent significant sums on the site. They have shown commitment to continue to keep the DCO alive. Therefore, on that basis, it is difficult to answer the first element of your question, regarding how much of a blow it is. The delay in itself is disappointing, but I remain optimistic that because of the quality of the site, and because of the DCO process being maintained, this offers us the best prospect in terms of gaining the next build of nuclear within the UK.

Q41 **Albert Owen:** Respectfully, we cannot just let the other projects go. Big companies wanted to invest in north-west Wales. Something is wrong somewhere with Government policy if these do not develop. I gave you examples of three other different technologies: tidal, wind and biomass. We need low-carbon energy. We all agree on that. We can argue the merits of each project, but it cannot just be project-led, and pitting one technology against another. We have to have a coherent energy policy. You and other Ministers have rightly said that north-west Wales has the potential to be a leader in this, yet it is not happening.

Richard Harrington: Would you mind if I answered that, being in the energy Department generally, although nuclear is my sector? We do have a coherent energy strategy. We believe in not relying too much on one particular source of energy, which I am sure everyone is familiar with. We do not want to put all our eggs in one basket, to use the cliché. We believe totally in nuclear as an important part of that, for reasons that everyone will know to do with the base case. Although wind is there, as yet the storage for wind means that it can never compete with nuclear or other forms.

We have to view this in the context of the fact that energy prices have come down with renewables. That does not mean that we are just chasing the lowest price, because of this idea, which I would fully support—I am very pleased that the Government have this policy, and I do not think it will change—to do with energy security, and having all the different things.

I do not believe it is a lack of policy or strategy, but I accept what the Secretary of State said regarding the two particular deals that we are talking about. Mr Owen, you mentioned the one in Swansea—the tidal lagoon—and we are here to talk particularly about the Hitachi nuclear thing. They failed for different reasons. The one in Swansea failed really on the absolutely solid financial grounds of the cost. I understand we are here mainly to talk about the other one today, and I know of your personal interest in it. We have debated together, and had many a conversation both officially with officials and just talking casually. I know how important it is.

As far as I am concerned, this is not a failure of policy; it is a financing matter. Hitachi is an independent company with its own shareholders, and I believe I can say that the Government did our bit in terms of offering the equity—

Q42 **Albert Owen:** I am sure that colleagues are going to pursue that as we go, but my question was directed to the Secretary of State for Wales, as the voice of Wales in the Cabinet here in Whitehall. I gave examples—take the Swansea Bay one out if you wish—from north-west Wales of four different technologies that could have created millions of pounds of investment, and hundreds if not thousands of jobs. They have all failed for one reason or another. I don't think that is good enough. It damages the morale of future investors in the area. Minister, you may wish to come and help the Secretary of State on this one. The Orthios one failed in the auction. It is your Government's policy to have an auction. It is probably one of the first of its kind, and it has failed. We do not want projects to fail in Wales; we want them to succeed.

Alun Cairns: Without question, you and I, Mr Owen, want to see the strongest projects succeed, but I am sure we would not want to support projects that either do not offer value for money or are not viable.

Q43 **Albert Owen:** But I want to see them go ahead, Secretary of State. I am looking for answers on how we can advance them.

Alun Cairns: The basis of the nuclear sector deal was to build on the expertise in and around the area. I remain optimistic about the prospects that nuclear offers because of the excellence that already exists. We deliberately went to north-west Wales to launch the nuclear sector deal, the thermal hydraulics facility, which we are working on jointly with the Welsh Government, and the UK Atomic Energy Authority, in order to make this sort of thing a reality. There is an awful lot going on, in terms of building on the excellence that exists. You are identifying individual projects and saying that that's a Government failure because that project hasn't gone ahead, but I hope you are not suggesting that we support projects that either do not offer value for money, compared with their competitors, or are not financially viable in themselves. Clearly, no one would want to waste taxpayers' money.

Q44 **Albert Owen:** I am asking the questions. The reality is that Siemens, for instance, chose to do wind elsewhere, so that was an opportunity lost. They took over the Skerries project, which was the tidal project. That was only a few years ago. My concern is that things are not developing in Wales and the UK because the policy isn't coherent. Yes, we want value for money, but we also want innovation. We want to be pioneering. Sometimes those things require risk. Had we had this attitude before, we wouldn't be leaders in gas and other forms of technology.

Richard Harrington: You talk about the Government taking risk, but in this case we made it public. We offered one third of the equity, an underwriting of the debt and a strike price of £75, which was quite high, compared with simply getting the cheapest on the market at any particular time. I hope you will agree that it is fair to say that the Government took on their part of the risk—certainly far more than British Governments have done before.

I remember at the time that you were publicly and privately very pleased about it—as we were. What we didn't take into account was that when the board and the new chief executive of Hitachi assessed it, they decided that they were not happy with their level of risk. When they suspended the arrangement, their stock price actually went up. They own the site, and I am very pleased say that they continue to be in talks with us. I am sure you will want to discuss that later.

Q45 **Chair:** May I quickly interject and put to you the question that I put to Gwen Parry-Jones? Could the financial package that you offered, which included a strike price of £75 per megawatt-hour, be seen as comparable to the £92.50 strike price being offered to EDF at Hinkley?

Richard Harrington: First, it is a different type of site. We made it clear that it was an absolute one-off. All these conversations to do with nuclear come back in the end to financial risk. Remember that the premium between Hinkley Point and this site, as far as I can see—to be cold and financial about it—is the extra risk that EDF and CGN took down in Somerset at Hinkley Point, because they took the risk completely off the taxpayer. That's why we got the premium.

Q46 **Chair:** In that case, the obvious follow-up question is: would you offer £92.50 to Hitachi if they took on 100% of the risk? Would you say to them, "Build it, and then once it is finished sell us the electricity"?

Richard Harrington: At the time, the BEIS Secretary of State and the Government said that this was a one-off at £92.50. Since then, the price of comparable forms of energy has come down. Although that is not the only factor—as I've said before, our strategy is to have a mix of different energy sources—it has to be a factor.

Q47 **Chair:** The overall package is worth less than that which was offered to Hinckley?

Richard Harrington: I do not accept that point. If the Hitachi board came to us and said, "We'll take all the risk at £92.50", we would have to say, "No, because that was the previous price and things have changed since then." If the Hitachi board was prepared to make an offer, completely de-risking it for the British taxpayer, I am sure that we would look at anything reasonable and study it. It would be excellent if the board came forward with such an offer.

Q48 **Anna McMorrin:** Secretary of State, which energy projects have succeeded in Wales while you have been in post?

Alun Cairns: You will know that much of that policy is mixed; some of it is reserved, and some is demand-led.

Q49 **Anna McMorrin:** Name me some projects.

Alun Cairns: There is a whole host.

Q50 **Anna McMorrin:** In Wales.

Alun Cairns: With great respect, Ms McMorrin, you will know that the energy market in the UK is not isolated to Wales. On that basis, I can point to constituents in Wales—

Q51 **Anna McMorrin:** With respect, Secretary of State, you are the Secretary of State for Wales and I am asking you whether you would mind answering the question.

Alun Cairns: You will obviously be aware that energy projects are across the whole of the UK and are not geographically dependent. It is therefore an integrated network, and on that basis I can point to a whole host of constituents in mid Wales who will be delighted that some energy projects have not gone ahead because of Government policy showing less of an appetite for onshore wind. There is Gwynt y Môr, which has been developed and expanded, and there are offshore wind farms elsewhere.

You will know about my enthusiasm for the tidal lagoon, but if it does not stack up financially, clearly it should not and cannot go ahead.

Q52 **Anna McMorrin:** I was not aware of your enthusiasm for the tidal lagoon.

Alun Cairns: Ms McMorrin, I point out to you that when I was on the No. 10 policy board before becoming a Minister, I think that even Mark Shorrock recognised the support that I had given in taking them to meet the policy officials in Downing Street in order to see that the policy could be investigated and interrogated all the way. I was as disappointed as anyone else that that could not go forward.

Q53 **Anna McMorrin:** Okay. We are clear, then, that very little has actually gone through in Wales in terms of energy development, and we are still waiting for a lot of that to go through. This is just another example of something that has not managed to get through. The UK Government are set to miss your carbon budgets. Are you aware of that, Secretary of State?

Alun Cairns: Do you want to lead on that policy, Richard?

Q54 **Anna McMorrin:** I am asking the Secretary of State for Wales, actually.

Alun Cairns: With great respect, carbon doesn't stop at administrative borders, does it?

Q55 **Anna McMorrin:** Exactly. That is why I am asking the Minister who is responsible for Wales about carbon and climate priorities.

Richard Harrington: Ms McMorrin, I will try to answer that myself. Nuclear is actually my sector. I asked for nuclear because I believe in the future of the industry and I believe that its future is in Wales.

Q56 **Anna McMorrin:** This is about carbon budgets.

Richard Harrington: As far as carbon targets are concerned, I can say that one of the many reasons why I am in favour of nuclear, and in favour of nuclear in Wales, is that it will help a lot to reduce carbon and produce a lot of electricity.

Q57 **Anna McMorrin:** But we are set to miss those at the moment, and new nuclear would have provided that transition.

Richard Harrington: And I am sure it will.

Q58 **Anna McMorrin:** But at the moment we are set to miss those carbon budgets.

Richard Harrington: Yes, indeed, and that is one of the reasons why I am so pro-nuclear.

Q59 **Anna McMorrin:** Okay, but that is not helping with this situation in terms of the lack of development.

Richard Harrington: Well, Ms McMorrin, I am certain that it will. I look at carbon targets as long-term targets. I am still very confident that a project will appear that will work for us. As Ms Parry-Jones said, things are continuing on the planning process side. We are looking at very innovative and ambitious types of financing proposals. In addition, given that we are talking about Wales generally, not just about Anglesey, at Trawsfynydd—*[Interruption.]* Sorry—you will have to excuse my pronunciation. I have just about got your surname.

Anna McMorrin: You are forgiven.

Richard Harrington: I've been practising it all day, as well—I apologise. We are looking, as I am sure you are aware, for our policy for the new type of small nuclear reactors we are developing—well, we are not developing them; we are helping fund their development. That was mentioned on the site when we all went there for the launch of the nuclear sector deal. First, our policy is to use existing sites, for all the planning and other reasons, and also because, compared with places that have never had a nuclear power station, the local communities tend not to need persuading that it is a very good thing for the economy. Given that—and I am still very hopeful about Anglesey—I certainly feel that Wales has a brilliant future for the low-carbon or carbon-free development of nuclear power.

Q60 **Anna McMorrin:** Forgive me, but that is not the evidence we see in Wales. We have had the tidal lagoon cancelled. We are waiting for numerous onshore wind farms to go ahead, which are all in the pipeline within BEIS. Now we have seen Wylfa put on pause and suspended. In terms of meeting the fourth and fifth carbon budgets, we are on track to fail. Meeting the climate targets is looking pretty impossible. We know about the human cost of that in north Wales, but in terms of transitioning to a low-carbon economy, how on earth does that meet any of what you say you are trying to achieve as a Government? You quite blatantly are not.

Alun Cairns: First, let me underline that there is a shared responsibility. I took the Wales Bill through Parliament. That increased the responsibility of the Welsh Government, which now has responsibility for projects over 50 MW. They had for some time demanded responsibility for energy projects of 300 MW or more. Therefore, many projects will fall under the Welsh Government's responsibility. Planning policy in a whole host of these areas falls to the Welsh Government. The schemes will be judged on their own merits, either according to whether they qualify for financial support, be it in subsidy—we talked about the auction earlier. Obviously, if they do not meet the criteria, they will not go ahead. Secondly, planning policy, for which the Welsh Government have greater responsibility—

Anna McMorrin: But not on the larger projects.

Chair: Ms McMorrin, I had better bring in a few of your colleagues. I know you feel very strongly about this, but—

Q61 **Anna McMorrin:** Just one last point. You can say this again and again, but the evidence is there that you are actually not bringing forward these projects, so something is broken within—

Alun Cairns: Well, I would also say that these projects must be privately led. It is not up to a Government to develop a project and to build it themselves. Therefore—

Anna McMorrin: As we heard from our last witnesses—

Alun Cairns: I will finish on this point. These projects have to be privately led. It therefore poses a question about business engagement—with the Welsh Government, for example—if projects are not coming forward. If they are not coming forward, the question to ask is: why? Part of it will be because of business engagement—possibly.

Q62 **Albert Owen:** I am afraid I have to chair another meeting in a couple of minutes—it is not anything about your replies that is driving me away. On what you said about private money, the reality in the nuclear industry is that foreign Governments, not the British Government, are putting the money in. I just wanted to say that.

Minister, let me ask you a question before I leave—I apologise for having to rush off. You mentioned the nuclear sector deal. You mentioned the SMRs at Traws—we call it Traws in Wales; we do not have to use the full word.

Richard Harrington: They call you Albert in Wales, but I call you Mr Owen.

Q63 **Albert Owen:** They do, and you are very polite, but I want a straight answer to this. The SMR technology is under development. There is not a model for it to happen any time soon, so it is not going to plug a gap. What is your take on how long it will be before that technology is proven? I know it is a few years down the line. That is important to the skills base in north-west Wales. The SMRs developed at Traws will be the first of a kind; it is hard to determine value for money, because there is no previous technology available. Could you answer that, briefly?

Richard Harrington: I can. First, you asked for a date. We believe that it could be in production of power by 2030, which is when a lot of the nuclear power stations throughout the United Kingdom come to the end.

Albert Owen: So SMRs could be in production by then.

Richard Harrington: Secondly, on the financing side, of course you are right, but I would point to the fact that the expert finance working group has completed a report that concludes that small reactors can be commercially viable, and that we are well placed in this country to develop, as you say, a first-of-a-kind small reactor by 2030.

Q64 **Chair:** Cyn i fi droi at Tonia Antoniazzi, ga’ i ofyn rhywbeth i Ysgrifennydd Gwladol Cymru? Mae’n amlwg bod y penderfyniad yn mynd i gael effaith negyddol iawn ar lawer o bobl yn yr ardal. Pa fath o gefnogaeth gallai’r Llywodraeth ddarparu ar gyfer y rhai sydd wedi profi’r effaith negyddol hyn?

(Translation) Before I turn to Tonia Antoniazzi, I would like to ask a

question of the Secretary of State for Wales. It is clear that the decision is going to have a very negative impact on very many people in the area. What kind of support could the UK Government provide?

Alun Cairns: Mae dros 300 o bobl yn cael eu cyflogi ar hyn o bryd. Mae 40% wedi cael addewid o swyddi neu maen nhw'n mynd i gael cynnig swyddi mewn rhannau eraill o'r cwmni. Mae gweddill y rhai sy'n cael eu cyflogi ar hyn o bryd yn cael eu rhannu rhwng Gloucester a Sir Fôn. Mae pecyn naturiol yn cael ei drafod, ac nid yn unig gyda'r cwmni - mae'r DWP yn cydweithio gyda Llywodraeth Cymru hefyd felly bydd cefnogaeth ganddyn nhw. Ond fel dywedais i, mae cynlluniau eraill yn cael eu datblygu yn yr ardal. Mae cynllun tyfu economi gogledd Cymru yn un o'r pecynnau sy'n cael eu datblygu. Fel dywedais i'n gynt, mae'r thermal hydraulics facility yn cael ei ddatblygu. Mae'r gwaith sy'n mynd ymlaen ym Mhrifysgol Bangor yn cynnig arbenigedd yn y rhanbarth hefyd yn ogystal â'r SMRs a'r cyfleoedd newydd y maen nhw'n eu cynnig. Mae eisiau i ni edrych ar y cynllun tyfu'r economi i weld sut y dylai gael ei addasu er mwyn siwtio'r sefyllfa newydd. Ond fel dywedais i'n gynt, dw i'n dal i fod yn obeithiol y bydd cynllun newydd i'r safle niwclear ar Ynys Môn yn datblygu, er yn amlwg fe fydd gohiriad achos y penderfyniad sydd wedi cael ei wneud.

(Translation) More than 300 people are currently employed there, and 40% have been promised jobs or will be offered posts in other parts of the company. The rest are divided between Gloucester and Anglesey. A natural package is being discussed, and not only in the company—DWP is collaborating with the Welsh Government, so there will be support from them. As I said, however, other plans are being developed in the area. The north Wales economic growth deal is one of the packages being developed. The thermal hydraulics facility is also being developed. The work that is ongoing within Bangor University offers expertise in the region, as well as with the SMRs and the new opportunities that they provide. We therefore need to look at the economic growth plan to see how it should be adapted in order to suit the new situation but, as I said earlier, I am still hopeful that a new plan for a nuclear site in Anglesey will develop, even though there will clearly be a suspension because of the decision that has been taken.

Q65 **Chair:** Ydych chi'n derbyn felly, os nad ydyn ni'n gwneud unrhyw beth, mae'n debyg y bydd y rhai sydd wedi eu hyfforddi yn y diwydiant niwclear yn symud i lefydd eraill, ledled y byd?

(Translation) Do you accept, therefore, that if we do nothing, those people trained in the nuclear industry might move out to other areas—globally, possibly?

Alun Cairns: Mae'r diwydiant yn derbyn ansawdd y safle yma a'r cyfle y mae'r safle'n ei gynnig i'r diwydiant niwclear. Os ydyn ni'n clymu hynny i'r arbenigedd lleol, y nuclear sector deal y mae'r Llywodraeth wedi ei lansio a'r arbenigedd yn Nhrawsfynydd, er enghraifft, a Phrifysgol Bangor, mae gan y rhanbarth lawer i'w gynnig i'r sector niwclear. Dyna pam nad mater o ansawdd y safle yn unig yw hwn, ond yr arbenigedd yn y rhanbarth sy'n dod at ei gilydd gyda'r safle, a dyna pam dw i'n obeithiol—er yn amlwg mor siomedig am y penderfyniad y mae Hitachi wedi ei wneud yn ddiweddar.

(Translation) The industry accepts the quality of this site and the opportunity it offers for the nuclear industry. If we tie that to local expertise—Trawsfynydd and Bangor University, for example—and the nuclear sector deal launched by the Government, the region has a lot to offer the nuclear sector. That is why it is about not only the quality of the site, but the expertise in the region together with the site, and that is why I am hopeful—disappointed though I am about the recent decision taken by Hitachi.

Q66 **Tonia Antoniazzi:** I apologise to the meeting for my tardiness. I want to ask the Secretary of State for Wales one question. The optics on what has happened are not great for people in Wales. They feel very disappointed, much as we were when we did not get the backing for the Swansea Bay tidal lagoon. I welcome what you said today about being enthusiastic about the tidal lagoon. What discussions are you having with the Welsh Government and the local authority on the potential for a new scheme so that the Swansea Bay tidal lagoon can go ahead? Is there any conversation about that?

Alun Cairns: There have been conversations, and they are ongoing on individual projects that I can think of, but they are not necessarily in the public domain. I can say that the Government are always open to viable, cost-effective and innovative energy solutions that, in particular, help us to meet our green targets. It is unfortunate that the lagoon, as was, simply turned out to produce electricity that was so expensive and that could not meet the requirements, but if a credible solution comes forward from providers in general, that would be a conversation that we would be keen to have. There is a specific project that Ken Skates and I have spoken about with a developer, but it is in the early stages; I do not want to raise any false hopes at this early stage.

Q67 **Tonia Antoniazzi:** We waited long enough last time.

Alun Cairns: As we all know, there is a long lead time on so many of these projects. There will be challenges, because these are innovative and they can be expensive, but we will look at any viable projects that we believe can help to meet our energy targets.

Q68 **Susan Elan Jones:** Ga' i ofyn i'r Ysgrifennydd Gwladol sut ydych chi'n meddwl y bydd y penderfyniad i atal y gwaith ar Wylfa yn effeithio ar gytundeb twf gogledd Cymru?

(Translation) May I ask, Secretary of State, what you think will be the impact of the decision to suspend the work on Wylfa on the north Wales growth bid?

Alun Cairns: Rydym ni wedi cynnig £120 miliwn yn barod tuag at y cynllun. Yr holl egwyddor y tu ôl i'r cynllun tyfu'r economi yw bod hwn yn dod fel galwad lleol a bod cynlluniau lleol yn cael eu datblygu. Er ein bod ni wedi bod yn gweithio tuag at becyn dros ddwy flynedd, efallai'n agosach at dair blynedd erbyn hyn, mi fyddwn ni'n edrych yn agored iawn ar unrhyw gynllun sy'n cael ei gynnig. Ond er mwyn dangos ein haddewid tuag at y rhanbarth, rydym ni wedi cytuno £120 miliwn yn barod heb i'r pecynnau unigol gael eu cytuno, hyd yn hyn. Mae arian wedi cael ei gynnig yn barod i'r rhanbarth ond os oes unrhyw gynllun arall yn dod ymlaen fe wnawn ni edrych yn gwbl agored arno fe. Dw i'n siŵr y byddwch chi, Ms Jones, eisiau gweld cynlluniau sy'n profi gwerth arian, sy'n rhoi gobaith newydd i gymunedau, sy'n rhoi swyddi o ansawdd da ac yn y blaen. Mae yna scrutiny go iawn ar unrhyw gynllun sydd o'n blaen achos yn amlwg rydym ni'n defnyddio arian cyhoeddus.

(Translation) We have offered £120 million towards the scheme already. The whole principle behind the growth deal is a local call that local schemes be developed. Even though we have been working for two or perhaps even three years now towards the package, we will look very openly at any scheme that may be offered. In order to show our promise to the region, we have agreed on £120 million already, without the individual packages having been agreed thus far. The money has already been offered for the region, but if any other schemes come forward, clearly we will look very openly at them. I am sure that you, Ms Jones, would wish to see plans and schemes that prove value for money, that offer new hope to communities, and that provide good-quality jobs and so forth. There is genuine scrutiny of any scheme that comes forward, because we are using public funding.

Q69 **Susan Elan Jones:** Oce, ond ga' i ofyn i chi yn bersonol, Ysgrifennydd Gwladol, be ydych chi'n ei wneud rwan i hyrwyddo'r cytundeb? Mae pawb yn cytuno efo'r cytundeb ond beth ydych chi'n ei wneud i'w hyrwyddo?

(Translation) Okay, but may I ask, Secretary of State, what you personally are now doing to promote this plan? Everybody agrees with the bid, but what are you doing to promote it?

Alun Cairns: Roedd y Gweinidog, Nigel Adams, yn y gogledd naill ai'r wythnos ddiwethaf neu'r wythnos cyn hynny yn ceisio cydweithio gyda'r partneriaid lleol.

(Translation) The Minister, Nigel Adams, was in north Wales either last week or the week before, trying to collaborate with local partners.

Q70 **Susan Elan Jones:** Ydych chi'n gallu sôn dipyn bach mwy am y dadleuon rydych chi wedi eu cael efo Gweinidogion Llywodraeth Cymru?

(Translation) Can you talk a little more about the discussions that you have had with Welsh Government Ministers?

Alun Cairns: Dros y cynllun tyfu'r economi?

(Translation) On the growth bid?

Susan Elan Jones: Ie.

(Translation) Yes.

Alun Cairns: Mae'r rheiny wedi bod yn bositif iawn. Mae'r Gweinidog Ken Skates a finnau wedi cwrdd sawl gwaith i gydweithio. Dw i'n gwybod bod Nigel Adams, y Gweinidog o Swyddfa Cymru, yn bwriadu cwrdd â Ken Skates unwaith eto. Dw i'n siŵr bod pawb yn cytuno bod rhai prosiectau yn y cynllun yn well na'i gilydd ar hyn o bryd. Codi ansawdd ac outputs y cynlluniau yma yw efallai'r mesur gorau, a faint o arian preifat sy'n cael ei fuddsoddi. Os oes arian preifat yn cael ei fuddsoddi y tu mewn i unrhyw brosiect, mae hynny'n dangos bod ffydd ganddyn nhw y bydd e'n gallu llwyddo dros y tymor hir.

(Translation) They have been very positive. The Minister Ken Skates and I have met several times. We collaborate, and I know that Nigel Adams, the Minister in the Wales Office, intends to meet him again. I am sure that everybody agrees that there are certain projects in the plan that are currently better than others. Raising the quality and perhaps the outputs of those plans is the best measure—along with how much private money is invested, because if private money is invested in any project, it shows that investors have faith that it can succeed in the long term.

Q71 **Chair:** Felly gyda beth sydd wedi digwydd gyda'r datganiad gan Horizon a Hitachi, ydy'r Llywodraeth yn barod i ddarparu mwy o bres os oes rhaid i ni?

(Translation) In the light of the statement by Horizon and Hitachi, is the Government willing to provide further funding if required?

Alun Cairns: Rydym ni'n fodlon edrych ar unrhyw brosiect sydd yn dod ymlaen. Dw i'n derbyn bod rhaid i ni ailedrych ar beth sydd wedi cael ei flaenoriaethu ar hyn o bryd. Yn amlwg, mae hwn yn brosiect mor fawr ac fe fyddai dylanwad uned ynni a fyddai wedi creu 9,000 o swyddi ymhen byr amser wedi cael impact dros y rhanbarth. Nawr, gan nad yw hynny'n digwydd o ran yr amserlen wreiddiol, mae'n rhaid i ni ailedrych yn sicr ar y ffordd y dylem ni ailganolbwyntio'r prosiect yn gyfan gwbl.

(Translation) We are willing to look at any project that comes forward. I accept that we have to reconsider what has been prioritised at the present time. Clearly, such a big project as an energy unit that would have created 9,000 jobs in a very short space of time would have had an impact on the region. Now that that is not happening according to the original timetable, we have to reconsider how to refocus the plan and the project in its entirety.

Q72 **Susan Elan Jones:** Fel rydych chi'n gwybod, mae'r Aelodau Seneddol o ogledd Cymru yn gweithio gyda'n gilydd—o bob plaid ac o bob rhan o ogledd Cymru. Yr wythnos ddiwethaf, roedden ni'n cwrdd â'r Ysgrifennydd Gwladol dros Fusnes, Mr Clark. Wythnos nesaf, rydyn ni'n mynd i weld y Canghellor. Ar ôl beth sydd wedi digwydd gyda Wylfa, rydym ni'n awyddus i gael mwy o fuddsoddiad i ogledd Cymru. Fyddwch chi'n ein cefnogi ni os gwelwch yn dda?

(Translation) As you know, north Wales MPs, from all parties and all parts of north Wales, have worked together. Last week, we met the Secretary of State for Business, Energy and Industrial Strategy, Mr Clark,

and next week we are going to be seeing the Chancellor. After what has happened about Wylfa, we are eager to see further investment going into north Wales. Would you support us, please?

Alun Cairns: Yn sicr, dw i eisiau gweld mwy o fuddsoddiad yng ngogledd Cymru hefyd, ond mae'n rhaid i hwn gael ei arwain gan y cymunedau, yr awdurdodau a'r rhanbarth lleol.

(Translation) I certainly want to see further investment in north Wales as well, but this has to be led by the communities, the authorities and the local region.

Q73 **Susan Elan Jones:** Ond rydych chi'n gefnogol i'r egwyddor?

(Translation) But you are supportive of the principle?

Alun Cairns: Yn sicr. Dyna pam roeddem ni wedi dweud yn y Gyllideb bod £120 miliwn ar gael. Roedd hwnna wedi cael ei roi heb hyd yn oed bod y scrutiny wedi cael ei orffen ar brosiectau cwbl wahanol. Roedd hynny'n dangos ein bod ni eisiau cadw'r momentwm i fynd. Roedden ni'n cydnabod ei fod wedi cymryd dipyn o amser i fynd o'r syniad neu'r addewid gwreiddiol i'r prosiectau'n dod at ei gilydd. Felly, dw i eisiau gweld prosiectau o ansawdd sydd wirioneddol yn denu buddsoddiad preifat ac yn sicr rydym ni fel Llywodraeth eisiau cefnogi.

(Translation) Yes, of course. That is why in the Budget we said that £120 million would be available. That was given even without the scrutiny being completed on very different projects. That shows that we want to keep the momentum going, because we recognise that it has taken quite some time to go from the idea and original promise, through to the projects coming together. I want to see high-quality projects that genuinely attract private investment. Certainly, we as a Government want to support that.

Q74 **Chris Davies:** I am sure that while the Secretary of State is declaring his love and support for north Wales, he will do the same for mid Wales before we move on.

Alun Cairns: Without question. I mentioned energy projects in response to one of the earlier questions. I know that a lot of energy projects have been stopped because of the lack of demand in mid Wales, because of the impact it would have had on other economic factors, such as tourism and so on. Yes, my support for mid Wales is equally strong, as well as the mid Wales growth deal.

Q75 **Chris Davies:** Wonderful. I thank you for ensuring that those devastating wind turbines did not go ahead. What further discussions have you had with Hitachi since the decision was announced?

Alun Cairns: You will be aware that I met local partners, together with the chief executive of Horizon, on Anglesey the day after the announcement was made. Mr Owen, who is the MP, attended, together with Assembly Member, the local authority and key stakeholders. The focus at that time was to try to gain Hitachi's agreement to continue the development consent order, which has obviously since been confirmed. My office has been in touch with Hitachi on a number of occasions since then, and I would like to go to Japan next week to see Hitachi, among a number of other companies—meeting Hitachi was part of the priority of the visit—but that is subject to pairing arrangements and what agreements I can get from colleagues in other parties.

Q76 **Chris Davies:** Is Hitachi playing poker?

Alun Cairns: No. My experience with Hitachi has been extremely positive. I think we have to accept that when they reassessed what they were facing and the challenges that they faced, they did not feel that it met their appetite for risk. It is fair to say that that was a significant shift from where we were in June, when the Secretary of State made the statement about the UK Government's support. Obviously, since then I think the degree of the equity support of the underwriting of the debt has surprised many people—the effort that the Government has been prepared to go to in order to see this project succeed.

Q77 **Chris Davies:** The Hitachi chairman came out and said that the nuclear industry and this particular project should be nationalised. They are happy to build the reactor, but not take any of the risk. Would that be a fair assessment?

Alun Cairns: I think we need to look at the history of the project. If we do that, Hitachi were providing the technology rather than developing the scheme. I think that, by becoming the developer, they took on a risk that they did not originally plan. Therefore, naturally that would lead to reassessments at various stages. Mr Harrington, I don't know whether you have anything to add to that?

Richard Harrington: This is all about risk and financing. I am sure that Hitachi or any other company would be very happy to take on that site, with zero risk to them, but that gives the UK taxpayer all the risk. That is the reason for the deal at the higher strike price at Hinkley Point. So I think it really is a question of risk, and the board of directors of Hitachi looked at the risk profile and felt that they did not want to undertake it at this time.

I was very disappointed, because we believed in my Department—please do not think that I am suggesting that anyone has behaved incorrectly; times and circumstances do change—and we were very content, that we had a deal that was a workable deal for the Japanese Government and company, and for the UK Government, and for the consumer.

However, it seems to me that if you look at nuclear throughout the world, we're talking here—I read in *The Daily Mail* that it was £15 billion—I think the actual number has not been publicised, but we all know it is of that magnitude. And the sharing of risk for something of that magnitude is not unreasonable from a company point of view and from a Government's point of view.

I do not feel they are playing poker, to use your expression Mr Davies, in terms of its being like a game of chicken—we will try not to get into language that has been used in another context in the House of Commons today. I do not think it is as blatant as that. The board just decided that, while they have got the site—it is obviously a good site; they have spent a lot of money on it and they are continuing on the planning side—that the risk profile for them is too great, and that is what boards do on behalf of shareholders: I'm not saying that anyone's behaved improperly. And I don't think they are playing the game of poker in that way.

However, I am hopeful that, because it is such an excellent site—remember that we do not own it; it is owned by Hitachi and they have invested a lot in it—if we can develop the regulated asset base system of funding, which has not been used in nuclear before, but has been used extensively in different projects that collectively are of much more than that magnitude; that is the amount if you add them all together. There is more than £160 billion in current prices of regulated asset base projects. But the most recent one that's got the attention of the media, quite understandably, is the £4.2 billion for the Thames Tideway.

So the proof of concept is there for larger amounts and we have accelerated in my Department—it is not just us; with the Treasury—all the expertise and work we have got on this to develop a model that would facilitate something of the magnitude of £15 billion.

There are regulatory issues. It would involve an Act of Parliament, because these regulated asset base models are done through regulators, and Ofgem does not have those powers, but there would be an Act of Parliament, obviously after the consultation and everything else that's needed. We are now getting institutional appetite for this kind of project and it would not surprise you, Mr Davies, to know that the Department has held—well, we have been getting suitable institutions into rooms and discuss all this with them.

I am optimistic. We hope this is not just kicking the can a long way down the road. We are hoping that in some time—I think the Secretary of State said in the summer, which I hope is before the recess—we are in a position to report on this. The Secretary of State is producing an energy White Paper, which I hope will involve this.

I know anyone might think, "Well, they're just dreaming, these guys", but actually the £4.2 billion project showed that institutions do have the stomach for it. So I am optimistic about this, but we have to do a lot of work quite quickly on the scale of these things.

Q78 **Chris Davies:** So Hitachi are not playing poker, but it sounds like a mild game of whist, at least.

Richard Harrington: As long as you don't call it chicken, Mr Davies. By the way, if I can put some sort of a plea in—as a non-Welshman, but as one interested in a lot of things to do with Welsh industry as part of my portfolio, we have not really mentioned south Wales. We have mentioned mid Wales and north Wales, and I hope the Secretary of State—indeed, I know from my personal experience with him and involvement in the automotive and other sectors in south Wales—is just as enthusiastic.

Q79 **Chris Davies:** I am just interested in the choice of language, because you said earlier that "the problem with the scheme going ahead was the financing". The previous witness stated that the problem wasn't the financing; it was the structure of the financing. There is a big difference. Who is right?

Richard Harrington: I am sorry—I did not intend to mislead the Committee. I meant the structure of the financing, because it is financing. It is about asking about a project, where do I get the financing from? How is it structured? I think the previous witness made a very fair comment. I did not mean to contradict her. I just abbreviated it. The problem with most projects in the end is financing—every project that the Government do or that a private company does. In this case, because nuclear is so unusual, it is the structure of financing, and that is what I meant.

Q80 **Chris Davies:** A last question, if I may. You say that Horizon or Hitachi own the site. What do you feel the chances of a possibility are of finding a new developer, because we don't own the site? Is it zero? Or is there a possibility that somebody else would come in and take over that site if Hitachi don't proceed?

Richard Harrington: I am sure there are other companies in the world that would be interested, because it is a prime site, but they haven't told us of any intention to sell it—but of course it is theirs to do so. It is our job to make sure that a purchaser is a reputable purchaser of the right standing and we would obviously have to consider the planning application to simplify the process, in terms of who the counter-party is as well, in terms of technology, track record and everything. I am sure Hitachi could sell it, if they wanted to, and there may be purchasers, and they would have to be acceptable, obviously, to our Government.

Q81 **Jack Lopresti:** On a wider UK basis, I am very concerned about security of supply of energy generation, especially if we are looking at growing demand, expanding business and so on. If the Swansea lagoon and this nuclear power station don't happen, what sort of impact will that have on our ability to match demand in the future and on our ability as our sovereign nation to rely on our own power generation?

Richard Harrington: I am not at all concerned about that point. We have got a good cushion of power. Currently, it is about 11%.

If I may just talk about nuclear on its own, at the moment, about 20% of our power on an average day is from nuclear. That runs out by 2030. If I could give just one example: Hinkley Point alone is 7%. There is plenty of time for that to happen.

To put it into rough proportion, the Wylfa development is to provide about three—I always get my gigawatts and terrawatts mixed up—about that amount of power per year. Last year, we had one of our contracts for difference for offshore wind, which produced 3 GW. These are large amounts of power, but we have got the resilience and the gap built into the system. Having said that, I would love this to be developed, and I believe in exactly what you said, Mr Lopresti, about having a balance. We cannot just be obsessed with one particular type of power because it is going down in price.

Q82 **Jack Lopresti:** I understand the economic arguments, and obviously we have to be mindful that this is the taxpayer's money, especially when you are risking it and talking about subsidy. Is the way we are doing things—the way we are setting it up as a package, if you like—unique to the UK? Are other economies of similar sizes perhaps rolling out infrastructure projects in a different way?

Richard Harrington: Each country has a different way of doing it—

Q83 **Jack Lopresti:** Sure, but are we radically different?

Richard Harrington: Ours is quite unique in its complexity. Other countries are looking particularly at our contracts for difference system as a way for the future for them.

Q84 **Jack Lopresti:** That is interesting.

Richard Harrington: I think so; I am really interested in it, but as I say, with nuclear and nuclear in north Wales, I try to separate the energy side, which is obviously a big chunk of our Department. I am willing to answer questions on any of it, of course, but personally my interest is in developing it as an industry, because it employs a lot of people and the technology is exportable all over the world, or will be. We have not discussed decommissioning, which currently employs, I think, about 300 people in Anglesey for the existing Magnox power station. Nearly half of my Department's budget goes on decommissioning; obviously it is public, but it is not generally of interest to people compared with all the research and development and all the new stuff. That is becoming an exportable product. I do not mean the decommissioning stuff, but the actual professional ability and expertise. I view it as an industry and I view north Wales as being a really core part of it.

Q85 **Chair:** Ga' i felly droi at Alun Cairns i gloi? I ddilyn o'r pwynt hwn, fyddech chi efallai'n ystyried darparu mwy o arian i Brifysgol Bangor i gynnal ymchwiliad ar niwclear?

(Translation) To conclude, I turn to Alun Cairns. Following that point, would you perhaps consider providing more money to Bangor University to carry out an investigation into nuclear?

Alun Cairns: Fel dywedais i'n gynt wrth Ms Jones, fe wnawn ni edrych ar unrhyw gynllun sy'n cael ei gynnig fel rhan o gynllun tyfu economi gogledd Cymru. Yn amlwg, mae ganddyn nhw gynllun yn barod yn y sector niwclear sydd mewn egwyddor yn edrych yn bositif iawn. Bydden i'n awgrymu neu'n argymell y dylen nhw edrych ar ryw fath o recalibration o'r cynllun gan fod amserlen y safle niwclear yn Wylfa wedi cael ei gohirio.

Ond hefyd, dylen i ddweud bod colled wedi bod i'r gogledd ers degawdau oherwydd bod y safle niwclear gwreiddiol ddim wedi cael cytundeb yn y '90au. Roedd Anglesey Aluminium yn gwmni oedd yn dibynnu ar yr ynni a oedd yn dod o Wylfa ac felly pwy a ŵyr—efallai y byddai swyddi'n dal i fod mewn bodolaeth os byddai polisi niwclear cryf wedi bod gan y Llywodraeth cyn 2010.

(Translation) As I said earlier to Ms Jones, we will look at any schemes that are proposed as part of the economic growth deal for north Wales. Clearly, they already have a scheme in the nuclear sector, which, in principle, looks very positive. I recommend, however, that they look again at some sort of recalibration of the scheme given that the timetable for the Wylfa site has been suspended.

I should also say that there has been a loss to north Wales for decades after there was no agreement about the original nuclear site in the 1990s. We know that Anglesey Aluminium was a company that relied on the energy generated by Wylfa, so—who knows?—perhaps the jobs would continue to exist if the Government before 2010 had had a strong nuclear policy.

Chair: Diolch yn fawr iawn. Thank you very much.