

Welsh Affairs Committee

Oral evidence: [Wylfa Newydd nuclear power reactor](#), HC 1938

Tuesday 26 February 2019

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[Watch the meeting](#)

Members present: David T. C. Davies (Chair); Tonia Antoniazzi; Guto Bebb; Chris Davies; Susan Elan Jones; Ben Lake; Anna McMorrin; Liz Saville Roberts.

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

Questions 86 - 116

Witness

[I](#): Ken Skates AM, Minister for Economy and Transport, Welsh Government.

Examination of witness

Witness: Ken Skates AM.

Q86 Chair: Before we begin formally, I have two things to do. The first is a nice one. I have to welcome Albert Owen. He hardly needs an introduction, but I have to officially welcome him as a guest to the Committee and someone with a great interest in this.

Secondly, on behalf of everyone on the Committee, we send our deepest condolences to the Labour party and to Paul Flynn's family. He was an absolutely outstanding member of this Committee. I have written to the family. I have known him since I was in school. We go back quite a long way. He was an incredibly hard-working member of this Committee, who, even in ill health, would turn up to everything. I know that the Committee will want me to formally record our condolences.

I welcome the Minister. Thank you for coming along today to talk to us about what has been going on with Trawsfynydd in north Wales. Perhaps I could start by asking how big a blow the suspension of work at Wylfa Newydd is for north Wales and for the wider north Wales economy and to what extent the Welsh Government was involved in decisions or discussions in the run-up to this announcement.

Ken Skates: Thank you, Chair. It is a pleasure to be with you today. I am joined by Gwenllian Roberts, who is the chief regional officer for north Wales.

The suspension has the potential to inflict a major blow on the economy of north Wales if it is permanent. If it is merely a pause, then we have to ensure that we are able to bridge the period between now and when a nuclear power project gets under way on the west of our mainland shore, we can find employment opportunities for people who will be employed at the nuclear power plant in the future in the short term.

Chair: Thank you very much indeed for that. Albert, do you want to come in?

Q87 Albert Owen: The decision was obviously made in Tokyo and you had very little influence on it. With regards to jobs, have you spoken to Hitachi to see ways you can deal with the apprentices, for instance, and how they can be fitted in and given proper and applicable work experience in the north Wales economy?

Ken Skates: Absolutely. I should just say that we didn't get any prior notice of the decision. We, like all of you, were picking up the speculation in the media in the week that led up to the decision, so I arranged a meeting with the leader of Anglesey Council, for the Thursday, the day the decision was made.



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Our response has been very swift. We have set up a north Anglesey taskforce. We are making sure, as best we can, that the focus is maintained on Ynys Môn and across north Wales.

With regard to the apprentices, we understand there are 33 apprentices. I was very clear when I spoke with senior Horizon that I expected all support to be given to those apprentices to see them through to the completion of their frameworks. I am pleased that funding has been made available to Coleg Menai to make sure that they can take care of them through to April. They are in discussions with, I believe, three major employers who could employ them. They are not employing them immediately. In all likelihood what we will see is the apprentices taken on by a subsidiary, Coleg Menai, and we have been providing funding and supporting for five years now.

It is worth saying as well that the apprenticeship programme in Wales is a very successful programme, with a range of frameworks, with consistently over 80%—I think it is around 82% right now—feeding into that very high proportion of positive progression, where people go from the end of their framework through to permanent employment. I have a lot of confidence—huge confidence—in those 33 apprentices going seamlessly into work, whether it is directly employed through the subsidiary, at Coleg Menai, or into the businesses that Coleg Menai are already discussing opportunities with.

Chair: I want to bring in Liz very quickly.

Q88 Liz Saville Roberts: Croeso gweinidog—welcome, Minister. My understanding is that there are 30 apprentices in Coleg Menai. They are facing three options that they are going to have to make a decision on within the next ten days, which is pretty challenging for 17-year-olds. The three decisions are, first, to transfer to a local company and finish their training at Coleg Menai; secondly, to transfer to company in England and continue with their apprenticeship training at Coleg Menai; or thirdly, to transfer to a company in England and finish their apprenticeship at a training centre in England.

What concerns me is that very few of them are opting for option 1, I understand. That is partly because the nature of the apprenticeship training that has been offered here means that the work placements are not available in north-west Wales. We are turning in a vicious circle here. We haven't got the work placements that we can offer for the sort of skills that we want to develop, in relation particularly to nuclear energy and to energy in general, which we should be promoting in north Wales. What steps can you take to make sure that we are training people for jobs that will mean that those people will stay in the area, and that even if they have to be sent away that they can afford to follow apprenticeships, in terms of transport and accommodation, and to make sure that we have the skills that we need in the north-west?

Ken Skates: This largely comes down to the role that the regional skills partnerships have in ensuring that skills provision is perfectly aligned with



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what the economy requires. I cannot comment on those individuals because I have not been made aware of the specific individual circumstances that could be driving a certain number of apprentices to look to move out of the region. However, what is essential is that they pursue employment opportunities that maximise what the apprenticeship framework training has been designed to deliver. What I would not want to see is young people who are on an apprenticeship framework undertaking employment in a field that is not relevant to their training programme. I would need to look specifically at those apprentices, the circumstances that they are in and what is leading them to look at employment opportunities across the border.

Separately to that, however, I think you raise an important point about transport. In north Wales and the Mersey Dee area, across that whole nuclear arc, around 20% of young people cannot even afford to get to their job interviews by public transport. Transport is a major barrier to employment across the nuclear arc area. We are looking to provide support to young people through the reduced fare scheme for their local bus services. Careers Wales has a very important role in helping to identify employment opportunities. As part of the north Anglesey taskforce, Careers Wales is taking part in that work and will be offering advice and guidance to the apprentices. I am more than happy to look into any issues that the apprentices have. If you are able to provide us with any of the details, we will be able to scan right across the nuclear network of employers to see whether there are opportunities within the region for them.

Q89 Albert Owen: Thank you for that Minister. Liz has really broadened out what I wanted to say to the next step. But going back to the actual funding of the apprentices through their apprenticeships, for year 1 now, did I hear you correctly that Hitachi or Horizon would be paying up until a fixed date and that the rest would have to be taken up by either companies, who will take on their apprenticeship, or Coleg Menai, which would be funding them from the public purse? When the announcement was made, I quite rightly applauded Hitachi for taking on the responsibilities of the apprenticeships. Are you now saying that that has a limited date and that following that date it will be public money and other private companies that would have to pick up the tab?

Ken Skates: My understanding is that their employment will end on 31 March and then transfer over to Coleg Menai, which will then take them through to the completion of the frameworks. In order to guarantee employment after that date, if they are not provided with employment opportunities outside Coleg Menai's environment, they will have the opportunity to stay within the subsidiary of Coleg Menai. I believe that that will be supported by the finance that Horizon has made available.

Q90 Albert Owen: Thank you. This is the final question from me. Are you confident that, following the suspension period, these apprentices will be able to return to employment at the Hitachi site on Anglesey?



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Ken Skates: That largely depends whether they wish to stay in the sector. What is absolutely essential is that we do not lose momentum on the island or, indeed, across the entire region. If they want to stay in the sector, there are opportunities right now, whether at Hinkley or with the decommissioning programme. There are opportunities right across the region and further afield in the UK and overseas.

We have perhaps two different issues that are affecting apprentices. One is the short-term movement from completing the framework to getting sustained long-term employment. That is being provided through Coleg Menai. Then you have the longer-term question of the pause in the Wylfa Newydd programme and whether those apprentices, who are going to be fully trained up and employed, hopefully within the sector, will have an opportunity to utilise their skills at a later date once the programme commences. My belief is that they will most certainly have an opportunity to get back on to the Wylfa Newydd programme when the pause is lifted, because the skills they are learning right now are highly specialist and hard to come by. It is not as though you can just buy in those sorts of skills. Even around the world, they are still highly in demand, so those apprentices in all likelihood will command a premium once the pause has been lifted.

Q91 Liz Saville Roberts: I would like to ask what approaches have been made to two specific employers. First, how many apprentices is the Nuclear Decommissioning Authority taking on? Evidently that is relevant to Wylfa, and it remains relevant in Trawsfynydd. Secondly, what about ENGIE at Tanygrisiau? There is a massive renovation operation at work there, and I understand the companies that have come in are there for two years or so. I am not aware of many apprenticeships being raised by either the NDA or ENGIE.

Ken Skates: That depends how many apprenticeship opportunities they offer up. If they do not currently take on any apprentices, or many apprentices at all, it is unlikely they will suddenly offer an apprenticeship to someone who is midway or largely through their framework. Instead, it is more likely that an employer that operates the framework that those apprentices are currently part of will offer a place. I need to check on the details about the Nuclear Decommissioning Authority and the other opportunities you raised. I am not aware of the Nuclear Decommissioning Authority taking on any of those apprentices, but that is not to say it is not.

Q92 Liz Saville Roberts: With respect, and under the circumstances in which we find ourselves, could I beg that a connection is made with Magnox/NDA? There is great potential for us to keep people with the skills we want in the area.

Ken Skates: They are on the taskforce. I just do not have the details to hand as to whether they have confirmed that any of the apprentices are going to be taken on by them, but they are on the taskforce.

Q93 Chris Davies: Mr Skates, you kindly informed the Committee that the



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Welsh Government was told only the day before the announcement that the Wylfa project was going to be suspended. Since that moment, have you been working independently of the British Government, or have you been working hand in hand with the British Government to try to get things restarted?

Ken Skates: No, hand in hand. We have very regular contact with BEIS. I was not informed the day before; I was informed the day of the decision. The day before the decision was when I arranged the meeting with the leader of Ynys Môn in the event that the speculation became reality. We are working very closely with BEIS. It is going to be incredibly important that we play a role in the development of the White Paper, which will be published in the summer. It is also important to recognise that the UK Government have been consistent in saying that nuclear has to be part of the energy mix and that Wylfa is the best site in the UK. As a consequence, Wylfa must have a role to play in the deployment of nuclear power station technology. Regardless of the proponent or the technology used, Anglesey will become a prime location for a nuclear power station.

Q94 **Chris Davies:** If this development does not go ahead with Hitachi, will you be putting pressure on them to try to get them to sell that site in order that another developer can try to run a project on that development?

Ken Skates: Sorry, I can't hear.

Chris Davies: I said, if Hitachi do not go ahead with this, will you be trying to put pressure on them to see if they will sell that site in order that another developer could have an opportunity to develop it?

Ken Skates: I think they are on record as saying that they are more likely to be a vendor than a developer. In all likelihood, that will be a course of action that they would want to take themselves without us having to prompt them. The fact that they are seeing DCO through to completion suggests that it is in their commercial interests. They are in a very good position to command maximum value for that land and the connections that go with it.

Q95 **Guto Bebb:** Thank you very much for taking these questions. We have seen both Governments co-operating thus far, but there have been some mixed messages from UK Government Ministers in terms of the likelihood of an early resumption of work on Wylfa. Does the Welsh Government have any views about when they expect work to resume? What sort of work is being undertaken by the Welsh Government to facilitate an early resumption?

Ken Skates: Whether and when it resumes is dependent on the White Paper—in particular, the consideration of regulated asset bases and the facility for financing it. It also depends on our ability to maintain momentum and capacity on the island. The skills question is essential. Through the taskforce and the work that the enterprise zone board is now undertaking, we are ensuring that there are opportunities to keep people in the region employed in high-value jobs. I have asked all my colleagues



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in the Government to scan across all capital programmes to see what can be accelerated and what new opportunities there are, first and foremost on Anglesey, but also right across north Wales, so that we don't have, during the pause period, a lack of opportunity for people to be employed—particularly in those sectors where there will be, in the future, an easy transition into the nuclear programme.

Q96 Guto Bebb: A group of MPs from north Wales met the Chancellor last week, and he touched on the regulated asset base model as a way forward. How confident are you that it could be the answer to the issue of funding something on the scale of Wylfa?

Ken Skates: It has been utilised in programmes that are somewhat similar, so my impression is that it could be adopted for nuclear. Equally, for us to form a more well-informed opinion on this, we need to be part of the White Paper scoping and then, in turn, the development of the White Paper itself, including the work that will be undertaken on the regulated asset base. My impression from other projects that have been balanced using an RAB is that we would not expect that to be 100 miles from what would be necessary for Wylfa Newydd.

Q97 Guto Bebb: You mentioned that you would need to be involved as the Welsh Government. Do you feel in any way excluded at this point in time in terms of those discussions?

Ken Skates: Not at this moment in time. We are still just a month beyond the decision that we took. It is very early days. First and foremost, we were responding to the urgent need to offer reassurance to people in Ynys Môn and north Wales. We convened a taskforce to speak to the UK Government about the immediate consequences. Beyond that period, we will be seeking a deeper involvement in the process of pulling together the White Paper. I imagine that your question will become far more important for us to consider in a month's time, and we will probably be able to give you a better indication of whether we have been involved, as we would wish to be, by the time we reach April.

Q98 Guto Bebb: Just a final question. You highlighted the possibility that the regulated asset base model could be a way forward. Is it the Welsh Government's view that you would prefer that option? The chairman of Hitachi said that nationalisation is the only path. Do you genuinely feel that the regulated asset base model is really worth exploring?

Ken Skates: I think the question of, if you like, nationalising the programme is off the table. It is something that I have raised with the Minister, and it was firmly rejected, so whether it would work or not is now superfluous to debate. Instead, we need to recognise that if the RAB model cannot work, this situation may not be the course that would apply if they had to keep to something along those lines.

Q99 Albert Owen: Minister, where does the decision to suspend work on Wylfa Newydd leave the north Wales growth deal? You are aware that many of the bids that have come forward from the local authorities in north Wales have a nuclear dimension to them, and indeed a renewable



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energies and low-carbon dimension. You talked about an accelerated programme. Is it your intention to bring forward some of the programmes under your remit with renewable energy, for instance?

Ken Skates: It is worth saying in response to the question of Wylfa, the north Wales growth deal and what the implications are for that, that the growth deal itself is only part of the package of interventions that we as the Welsh Government are looking to support in coming years on Ynys Môn and across north Wales. For example, we are looking at approximately £600 million of road infrastructure across north Wales in the coming years. We are looking at improving rail services, which will require investment. We are looking at a huge amount of investment in social infrastructure, with 21st-century schools and hospitals and so forth.

The growth deal, although a very significant investment opportunity, is part of an even bigger package of support. When I invited my colleagues in Government to scan opportunities across north Wales, it was not just with regard to the growth deal and projects contained within that, but concerned all of the Welsh Government's spend, across every Department. As far the growth deal specifically is concerned, although it was never designed on the basis of Wylfa having to go ahead, there were a nominal maximum number of projects that paid in and were designed to exploit Wylfa Newydd. I think that there are probably four key projects that—if not dependent on Wylfa—will be affected by the decision that we took on Wylfa.

I met the Economic Ambition Board just a week after Hitachi's decision. It was agreed by the board to review projects within the growth deal, not just to assess what projects may be impacted and whether they need to be altered, amended or redesigned, but also what projects can be taken forward at pace. Until recently, the growth deal was designed in certain ways to take forward all of the projects together. What we recognised is that we should give priority to a number of projects that can be truly transformational for the region. I particularly hope to see the digital project taken forward. I am also keen to determine how we can ensure that the sites and premises programme is taken forward and how we, in turn, invest heavily in employment sites, not just on the island, but across north Wales. I am also keen to look at how we can accelerate some of the capital spend that the Welsh Government will be investing outside of the growth deal in the next few years.

Q100 Albert Owen: I do understand that there will be additional moneys and additional projects to the growth deal. To stay specifically on the growth deal, the UK Government have offered £120 million, which you have match funded over a period. I was in the delegation—with my colleagues Guto Bebb and Susan Elan Jones—that went to the Treasury. I did not hold back and asked for more money to fill that gap. If that extra money were forthcoming at the Budget in March, would you match fund it to the level of the UK Government, and would that money be used to fill the gap? I am concerned that the gap is going to be larger than two to three years and that many of the projects will slip.



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Can I just pick you up on the four key projects? I presume that included in that is the Port of Holyhead?

Ken Skates: Yes.

Q101 Albert Owen: Which is almost shelf-ready, as are some of those other projects. In that is £44 million of private available capital to help that particular bit of the growth deal move forward. That is in jeopardy. The extra money could be used to help those projects and accelerate them. Is that your intent?

Ken Skates: Yes, indeed it could. Any extra money could also be used to beef up some of the projects as well. I think it is fair to say that there is recognition that the digital project, in particular, could be even bigger and even more ambitious than it currently is. You are right that it is probably realised that we require additional financial resource. I have been clear for some months. If the UK Government is able to increase its contribution to the growth deal from £120 million, then the Welsh Government will look at matching that figure as well. The initial ask was £170 million, so that would be £340 million in total. That is now down to £240 million. I do not think we would expect the private sector alone to fill that gap. I think you are right that there is a major hole that needs to be plugged. I am hopeful that the Treasury will look favourably on the north Wales growth deal in this year's Budget.

Q102 Albert Owen: Can I make two small points, because I know my colleague wants to come in on this? Have you had those discussions with BEIS Ministers or Treasury Ministers on additional resources because of the Wylfa suspension? I am leading a delegation—hopefully Gwen will be able to join me—to see the Secretary of State for Business, Energy and Industrial Strategy next week to put these very points to him. The Treasury was sympathetic, to be fair, but it said that many of the projects were led by other Departments—your Government, the Welsh Office and BEIS—in many ways. Have you had that dialogue with Ministers? Is there anything extra we as north Wales MPs could do, and colleagues from the rest of Wales could do, to put pressure on BEIS, as well as the Treasury?

Ken Skates: I think any opportunity you have to flag up the significance of the Wylfa Newydd project to the UK economy, and not just the Welsh economy, would be very valuable. This project—this £13 billion programme of work—is the equivalent of a year's budget for the Welsh Government. It is monumental. It is the biggest capital programme since devolution. It would contribute a very significant amount of the UK's energy requirements. It is an essential part of British and Welsh economic prospects. Those are arguments that we will be deploying in the discussions that are taking place in next week's meeting with the Secretary of State for BEIS.

Discussions are ongoing between us and, primarily, the Wales Office on the growth deal. Those discussions are very positive. I have to say that the discussions I have had most recently with Ministers in the Wales Office have been productive and constructive in terms of our assessment of what should be prioritised, what we should take forward and what needs to be



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done to ensure that the growth deal delivers the optimum for the people of north Wales. We need to be able to properly review all the projects, but also to prioritise ones that have an immediate or major impact on the region.

Q103 Guto Bebb: Just a quick question: I am pleased to hear that you are having constructive discussions with Ministers in the Wales Office. Is that positivity reflected by local partners within the growth deal in north Wales as well, in your view?

Ken Skates: I think local partners possibly feel challenged, but I think that is a good thing. I think it is important that people who are looking at utilising hundreds of millions of pounds of taxpayers' money are properly scrutinised and properly challenged, not least by businesses. It is essential that the private sector has a full part to play in developing the growth deal and each of the projects within it. It is fair to say that partners within the North Wales Economic Ambition Board probably do feel quite challenged at times, not just by UK Government Ministers, but also by ourselves here in the Welsh Government. I would say to our friends and partners within the EAB that it is right that that scrutiny is robust, because this is a huge amount of money. This is a once-in-a-generation opportunity to do something transformational in north Wales.

Q104 Susan Elan Jones: I was heartened by what you said about match funding. One thing I am sure you will be aware of is that Members of Parliament work very closely cross-border. We have made our case to the Chancellor and to the Secretary of State for Business, Energy and Industrial Strategy. We have done it when the Secretary of State for Wales comes here. We will certainly keep doing that. As well as supporting the north Wales growth deal, there will clearly be a role for us in talks or collaborations with colleagues across the border. I wonder if you have any thoughts about that, bearing in mind the closeness of the north Wales economy and the economy of the north-west of England.

Ken Skates: I could not agree more, Susan. Cross-border collaboration, particularly on nuclear, is essential. Capenhurst is not far from the Wales-England border. A significant proportion of the workforce employed there comes from north Wales. We have the Mersey Dee Alliance—a non-statutory body that is tasked with ensuring that, where appropriate and whenever possible, we are not competing with one another but collaborating and utilising our unique potential across the border for mutual benefit.

We have also had a move towards regionalisation in Wales. We have the new regional unit in north Wales, which is led by the chief regional officer. The role of the chief regional officer will be to engage deeply with our partners just across the border.

To pick up on the nuclear sector again, if you look at that nuclear arc from Sheffield right across to Ynys Môn, there are a huge number of businesses that are dependent on one another and on the same pool of skilled people. Therefore, collaboration across the border is absolutely essential.



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The higher education players in the field are also critical to both sides of the border. If we take as an example the University of Sheffield, which manages the Advanced Manufacturing Research Centre in Rotherham, it will also be managing the Advanced Manufacturing Research Centre in Wales. That will bring their expertise and, probably more importantly, their network of contacts and the opportunities that come with them into north Wales. Cross-border collaborations are incredibly important, especially when or if we leave the EU.

I am also always pleased to be able to attend meetings of cross-party and cross-border groups of Members of Parliament. It is recognised here in Cardiff Bay that MPs on both sides of the border play a role in driving prosperity, not just here in Wales but across the border in England. That is absolutely essential.

To go back again to the role of the chief regional officer, the CRO is baked together at the moment with the regional economic development plan, which will reflect what is happening just across the border. So whenever possible, we are not competing with our partners who are operating in close proximity to us.

Finally, on transport, I have already mentioned barriers to employment and the concern over transport. I am pleased that we have renewed the MOU between Transport for Wales and Transport for the North. We will be looking at creating a project pool to drive forward investments that serve the purpose of connecting the north-west with north Wales, and both regions with the rest of the UK.

Q105 Susan Elan Jones: Could I ask an additional question about the role of the private sector? You said in your response to my colleague that clearly the private sector cannot do this on its own. We appreciate that, but what do you think should be done from the Welsh Government angle, by the UK Government and by ourselves as parliamentarians in Westminster? What can we do to support the private sector more to unlock the power, the investment and the enterprise of the private sector vis-à-vis the north Wales growth deal?

Ken Skates: It is essential that the private sector has meaningful engagement and involvement in the development of the growth deal. Any critique of the growth deal should not be seen as opposition to it in the private sector. Indeed, I think it is really important to recognise that the private sector will largely determine the success or failure of the growth deal; it will not work without that ongoing investment.

Far from businesses merely being cheerleaders and being taken for granted by us in the public sector and the Government, it is essential that the private sector is treated with the respect that it deserves, and that businesses are brought into the process of designing and delivering a growth deal for north Wales as best as possible.



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In terms of what we can do to support businesses, I think we need to promote the thoughts and views of businesses regarding the growth deal or any of the projects contained in it.

Q106 Liz Saville Roberts: How do you perceive that change of conditions at Wylfa Newydd changing other plans for the nuclear sector in north Wales?

Ken Skates: Just as we now have the opportunity to review the growth deal, I think we also have the opportunity to review the nuclear sector deal, and the degree to which the sector can—in my view should, and must—deliver for all of north Wales. We know that there is talk of a £40 million programme relating to Trawsfynydd, and that there are opportunities concerning thermal hydraulics and opportunities concerning research and development. We need to make sure, in the context of the pause that is taking place with Wylfa Newydd, that the nuclear sector deal is utilised to create as many bridges for experts and people that have the skills to be employed in the nuclear sector, in order to transition over the pause period, if possible.

Q107 Liz Saville Roberts: What specifically could the Welsh Government do to ensure that an SMR comes to Trawsfynydd?

Ken Skates: I think it is partly down to the site being an attractive proposition and to ensuring that the developers of SMR have all the support necessary from the UK Government and the Welsh Government. We can offer support to developers and operators in terms of skills provision, but there are obviously support streams available through the nuclear sector deal, and given what has happened with Wylfa, we now have an opportunity to see whether additional resource through the sector deal will follow through into the SMR sector.

Q108 Liz Saville Roberts: Intrinsic to the wider question of the potential of energy generation projects in north-west Wales—we could look at tidal stream or a variety of others—is the considerably greater powers of the Welsh Government since the passing of the Wales Act 2017. Do you have a timetable for publishing the energy planning guidance, which is concomitant with powers arising from the Wales Act?

Ken Skates: That is not in my gift, I am afraid. That is in my colleague Lesley Griffiths's portfolio. She would need to answer that sort of question, I am afraid; it is not something I am able to take up on her behalf.

Q109 Liz Saville Roberts: But none the less, if we are talking about developing energy, that is under your command. It seems to me that the two things are very closely associated.

Ken Skates: In terms of energy policy, that is Lesley Griffiths. My role in any particular energy project is to make sure that the businesses that are supporting it are provided with financial support, if necessary and applicable, and to ensure that we respond to their needs in terms of skills and connecting infrastructure, but I can certainly ask Lesley Griffiths to provide a paper on policy, if that would help.

Chair: Sorry, Liz, but a lot of people want to come in on this.



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Q110 Guto Bebb: Just a quick one on the SMR issue. Are the Welsh Government in discussion with any potential developers of that technology?

Ken Skates: I am not sure to what extent I am able to reveal the details of the conversations I have had, but I have met with potential developers, yes.

Q111 Guto Bebb: Just a follow-up question: what was the view of those potential developers of the support they are getting from BEIS on SMR technology?

Ken Skates: I would not want to betray any of the individuals who took part in the conversation with me. I can perhaps say, diplomatically, that more intensive discussions would be beneficial.

Guto Bebb: We get the message. Thank you.

Q112 Albert Owen: Minister, on the question that Liz Saville Roberts raised about other projects, there have been a number of non-nuclear projects that have been suspended or failed in the past because of financing. I am referring to the Celtic Array, for example, and the Skerries Array, with tidal and various things. You mentioned the White Paper and you wanted more co-operation when they talk about the regulated asset base being part of a funding formula for the future. Would you envisage that being for England and Wales when the Bill comes, so that there could be issues going forward that could include some of the responsibilities you have under the threshold of megawatts for producing tidal and other projects?

Ken Skates: Yes; I think that would have to be the whole of the UK.

Q113 Anna McMorris: Welcome, Minister. When the Secretary of State was in front of us the other week, he could not name one energy project that he had brought into Wales in his time as Secretary of State. He actually gave one reason, or one excuse: business engagement or the lack of it. What would be your comment on that?

Ken Skates: I think with regard to marine, it is the issue of the competitiveness of marine energy projects versus wind. Wind was offered support in its formative days that enabled it to become more competitive longer term. No such support has been applied to marine energy, and so what the UK Government could do in order to accelerate the development of marine would be to look at levelling the playing field during the development period. In terms of business engagement, I don't think we lack interest from businesses; what we lack is a facility to finance these particular programmes that are stalling. That is why the work that is going to be undertaken on the White Paper is so important, particularly the work looking at the financing of large-scale energy programmes.

Equally, while, yes, many energy schemes have stalled in recent times, we have been able to support a number of renewable energy schemes. We continue to do so, whether it is with Morlais or Minesto, whether it is offshore wind—we have a stake in the expansion of, for example, the Gwynt y Môr offshore wind farm—or whether it be solar and onshore wind.

We have seen a number of significant developments secured for Wales in recent years, including the largest onshore wind farm anywhere in England and Wales.

That said, that particular project—the biggest in England and Wales—would have to be replicated 13 times to generate the same amount of power as Wylfa Newydd is expected to generate. So while we are helping to support a significant number of renewable energy projects, there is also a need to recognise that without nuclear, there will be a huge gap that cannot be filled, in the short term at least.

Q114 Anna McMorris: Would you say that the UK Government should be doing more to work with you in bringing forward some of the larger infrastructure energy projects?

Ken Skates: That is absolutely right.

Q115 Anna McMorris: We have seen there is no tidal lagoon. With onshore and offshore renewables, although you have mentioned some, we have seen a lack of investment or investors pulling away because of this and, of course, there is Wylfa and the tidal lagoon. How would you say the UK Government need to do more?

Ken Skates: There is interest in developing more renewable energy schemes in Wales and across the UK. Wales has a lot of opportunity in tidal energy and marine energy as a whole, with an incredible coastline that could be providing far more energy than is the case at the moment, but ultimately, if we are to bring plans, proposals and agreements to fruition, we have to have the right financial vehicles in place in order to develop what in the formative years could be considered highly uncompetitive with other forms of energy generation. That is why I think the UK Government—as a quick win—could look at the support that is offered to marine energy development. That work would be something that results in far more opportunities around the Welsh coast and indeed further afield. There are parts of England that could benefit from consideration of support for marine energy projects.

When it comes to the contracts for difference, would you want to invest in a project that is far more expensive initially than wind power if you are able to get the consent for a wind power programme? Nobody would want to put more money into an expensive programme, particularly if it is untested or has not been tested widely in the UK. In order to de-risk both the project development and the financing, I think the UK Government could be looking at levelling that playing field during the development stages and the early years.

Q116 Tonia Antoniazzi: Mr Cairns also told us that you had held discussions with the developer on the Swansea Bay Tidal Lagoon. What are the chances of the lagoon being revived? My colleague Anna has touched on this, but will any future tidal lagoon project be dependent on the UK Government being supportive, or can Wales and local authorities go it alone?



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Ken Skates: On this sort of scale, Wales alone cannot pay for—cannot subsidise—the capital investment that is required. In order for this or any similar scheme, you have to have the right mechanism in place to finance the capital that is required. We are talking about potentially billions of pounds of capital interest into the UK. Wales alone would not be able to afford that, and they recognise that they need to come with a financing package that supports large, capital-intensive programmes, such as the Swansea Bay Tidal Lagoon or Wylfa Newydd.

On the tidal lagoon specifically, we funded the taskforce that has been convened in Swansea Bay to look at the feasibility of delivering this project by the private sector. We are continuing our support to ensure that we explore every avenue possible in the private sector to play a far greater role in the development of this particular industry. At the end of the day, if you don't have the sort of support that was offered to wind offered to marine, then it is far more likely that the private sector would want to pour money into the technology that is already less expensive to develop and deploy, but which gathers the same sort of returns.

Chair: Thank you very much indeed for that. It has been very in depth and we appreciate your time and your willingness, dare I say, unlike some Ministers to engage with the Welsh Affairs Committee. We are very grateful indeed and no doubt we will be meeting again soon to discuss things. Thank you very much indeed.