Department for
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Rt Hon Kwasi Kwarteng MP
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Darren Jones MP, Chair
Business, Energy and Industrial Strategy Committee
House of Commons
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Dear Darren,

Swansea Bay Tidal Lagoon: Development Consent Order

I am writing to you to explain the Department's position in respect of the Development Consent Order (DCO) for the Swansea Bay Tidal Lagoon which expired on Tuesday 30 June 2020. The DCO was granted in June 2015 under the Planning Act 2008 as the development met the criteria for a Nationally Significant Infrastructure Project.

The government subsequently considered the value for money of the developer's proposed programme of lagoons, including the initial project at Swansea Bay. This found that neither the project nor the programme of lagoons would provide value for money for taxpayers and consumers. This is because delivering the same amount of low carbon power from alternative sources would be significantly less costly.

Extensions to DCOs -The planning process:

Developers of Nationally Significant Infrastructure Projects benefit from a significant period of time in which to commence development, five years in the case of the development consent order for Swansea Bay Tidal Lagoon. Developers are expected to have a clear understanding of the requirements of their projects and to be proactive in taking the relevant steps to ensure the consent can be implemented within the timescale specified in the DCO.

In the event that they are unable to comply with the pre-commencement requirements within the specified time period, they can use established routes to make changes to development consent orders. Developers are able to submit applications for non-material or material changes to the relevant consenting authority for consideration. Such changes can include applying for extensions.

If a developer identifies a risk that their consent may lapse, they should take active steps to extend it, ensuring there is enough time for the application to be considered by the relevant consenting authority. The power to consider applications for changes, including extensions, to the Swansea Bay Tidal Lagoon DCO was transferred to the Welsh Government by the Wales Act 2017. In the case of Swansea Bay Tidal Lagoon, I understand that no application has been made to the Welsh Government to extend the consent.

Decommissioning programme:

My officials have been reviewing the draft decommissioning programme for the Swansea Bay Tidal Lagoon submitted to the Department for consideration on the 6 May and responded to the developer on 29 June 2020 setting out those issues on which more information was needed.

The approval of a decommissioning programme is one of the conditions for fulfilment of the DCO. As the programme was submitted so close to the DCO expiry date and, following examination, was not in a suitable state to recommend approval, the DCO expired on 30 June.

Value for Money considerations:

The Government undertook a thorough analysis of Tidal Lagoon Power's (TLP) proposed tidal lagoon in Swansea Bay and their plans for a follow-on programme of lagoons in June 2018. The statement made to Parliament by the former Secretary of State set out the government's position. In that statement he stated that neither the Swansea Bay project nor TLP's follow on programme of lagoons represented value for money. He said that the level of costs that would be incurred by consumers and taxpayers would be much higher than alternative sources of low carbon power, and therefore the Department would not be continuing discussions with the developer on a potential Contract for Difference. Following the former Secretary of State's statement, the Rt Hon Claire Perry gave evidence to a session of the joint Welsh Affairs and Busines, Energy and Industrial Strategy Select Committees.

Our value for money assessment showed that delivering the same low carbon power from alternative sources would be £2bn-£20bn less expensive than the lagoon programme by 2050. Compared to nuclear and offshore wind, the lagoon programme would add between £6 and £35 on average per year to the bill of each of the over 30 million households in the country between 2031 and 2050 (in 2012 prices). That could cost the average household consumer up to an additional £700 between 2031 and 2050.

In May 2018 Mark Shorrock, the CEO of TLP, told the joint BEIS and Welsh Affairs Select Committees that, without significant additional public sector support, the Swansea Bay Tidal Lagoon would require a CfD at around £150/MWh over a 35-year term. This represents a price over 2.5 times that of the offshore wind prices in 2017/18 and for a contract lasting 20 years longer. Our understanding is that the costs of the project remain at approximately £1.3bn.

The value for money assessment included a consideration of the wider economic benefits of a programme of lagoons. The Swansea Bay Tidal Lagoon project itself was estimated only to give rise to 28 long term jobs (alongside around 2,200 jobs across manufacturing and installation during the construction phase) and that export potential would be likely to be limited to professional services. Other commentators came to similar conclusions. For instance, in July 2018 the National infrastructure Commission concluded in its National Infrastructure Assessment that tidal lagoons were unlikely to be able to reduce their costs sufficiently to compete with other low carbon energy sources. It did not, therefore, see the technology playing a role in the UK's future energy mix without significant ongoing government support.

Tidal Lagoon Power's request for extension via primary legislation

As noted above, Tidal Lagoon Power have been in possession of a DCO for five years. During that time they have failed to commence the works necessary to ensure the DCO did not cease to have effect on 30 June 2020, and have also not secured certain other permissions necessary to start works offshore, including a seabed lease for the lagoon from The Crown Estate and a Marine Licence from Natural Resources Wales.

Although any application for extension to the DCO through the planning system would have fallen to the Welsh Government under devolved powers, Tidal Lagoon Power wrote to the Department, on 21 May 2020, asking it to bring forward legislation, outside of those normal planning regime processes, for an extension to the DCO by taking a standalone Bill through Parliament. For the reasons given above, I do not see any justification for such a use of Parliamentary time for this project.

Provisions for extensions to certain planning permissions are being made in the forthcoming Business & Planning Bill, but the Government believes that it is not necessary to widen the scope of this to encompass DCOs as there are established routes to make changes to DCOs through the Planning Act 2008 regime. As I understand it, Swansea Bay Tidal Lagoon was the only DCO which was at risk of expiring and which did not take advantage of those established routes to extend the DCO.

Notwithstanding the above and given the rapidly changing nature of the electricity market, the Government remains open to considering well-developed tidal range energy proposals, including lagoons, barrages and other alternatives. We are aware of a number of other projects which are being considered around the Severn estuary, North Wales and the North West coast of England. However, as with any other technology, any tidal range scheme would need to credibly demonstrate strong evidence of value for money, economic benefits and environmental impact mitigation.

A copy of this letter will be placed in the libraries of both Houses.

Yours sincerely,

Kwasi Kwarteng

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Minister of State for Business, Energy and Clean Growth