

FAO Stephen Crabb MP

Dear Mr Crabb,

12th February 2021

House of Commons Welsh Affairs Select Committee

Inquiry : Renewable Energy in Wales

Response from the Civil Engineering Contractors Association (CECA) Wales

Can I start by saying how we welcome this inquiry into Renewable Energy in Wales. Energy generation and transmission are important areas of work for many of Wales' civil engineering contractors and represent, in our opinion, an under utilised resource in Wales. However, energy is a sub-sector of infrastructure which is only partially devolved to Wales with many responsibilities retained by Westminster. This means that CECA Wales works with both governments to influence policy and investment.

The inquiry that your Committee has launched on renewable energy in Wales comes after the UK Prime Minister announced a 10-point plan for a 'green industrial revolution' - set to be worth billions of public and private sector investment. We feel that Wales is in a unique position to support this "revolution" and to benefit from energy transition, particularly in wind power and marine renewables. We also feel that the opportunities to deliver high-skilled employment and to invest in communities across Wales will be an essential part of our post-Covid economic recovery. However, as you will see below, there are a number of constraints and barriers to overcome if a growth in renewable energy development is to benefit Welsh communities, businesses and our broader economy.

We have also set out how we think the UK and Welsh Governments can work together to achieve common goals and help to set the tone ahead of COP26 next year. However, this is not the main focus of our response.

Our response is based on the questions that you have set out in your invitation to respond.

How can the UK Government best support the deployment of renewable generators in Wales?

Grid connectivity and capacity remains a significant barrier to developing renewable energy opportunities especially for smaller and locally based projects where grid connection is often financially prohibitive. Without significant investment by the UK Government there is little hope for Welsh aspirations to be fully realised. However, objections to transmission routes, particularly linked to pylons, makes progress difficult despite the obvious long term benefits and opportunities. Consideration needs to be given to "burying" a much higher proportion of cables given the high value landscape across much of Wales. The UK Government would need to factor in the higher cost associated with burying cables but also the social and environmental benefits.

Opportunities to support small sustainable community projects are often constrained by "**justification models**" that fail to adequately reflect environmental and social benefits. There are parallels here with "digital connectivity" programmes which fail to deliver coverage in "hard to reach" areas - of which there are many in Wales. The Impacts of and consequences of the Covid19 pandemic have highlighted the limitations of "economics-only" justification models and this model needs to be "re-thought". A starting point in Wales would be the application of the wellbeing goals in the Wellbeing of Future Generations Act which could provide the basis for a "new model" fit for the 21st Century and fit for addressing the challenges of climate change.

How should the UK and Welsh Governments work together to support the development of renewable energy projects in Wales?

Much of this depends on **political engagement** in the first instance and is susceptible to political differences between Wales and Westminster. However, there needs to be much greater focus on Wales' renewable energy potential at a UK level and around the UK Government Cabinet. Whilst there is a need for Welsh Ministers to set out their case for investment and opportunities the Secretary of State for Wales needs to reinforce this case at Westminster and/or offer alternatives. What should not be questionable is the potential for Wales to excel in the field of renewable energy.

The UK Government could also commit to investing in a greater number of **pilot projects** to demonstrate the potential for innovation, the value of **research and development** in Welsh universities and the opportunities for skilled, high value and homegrown jobs in this sector.

What mechanisms can ensure that subsidies for renewable generators are good value for money?

The UK Government through its **reviewing of the Treasury "Green Book"** could drive greater investment in Wales by focusing more on "non-economic" criteria - as it is having to do in responding to climate change. The wellbeing goals set out in the **Wellbeing of Future Generations Act (Wales)** also offer an opportunity to shape the outcomes of the "Green Book" review particularly with respect to the "long term" and holistic nature of investments in renewable energy.

The use of the term "**subsidies**" is also unhelpful in supporting the value of better grid connectivity and capacity and undermines the greater benefits. The term "**incentives**" should be actively encouraged.

Greater support should be considered for **community led vs developer led projects** with greater support and incentives for "not for profit" companies to be established to help deliver renewable energy projects (eg similar to the Glas Cymru model in the water sector).

What opportunities are there for renewable generators in Wales of greater interconnection with other electricity markets?

Improvements to the National Grid are essential if this is to happen (see above).

How can the UK Government facilitate Welsh contributions to COP26?

The UK Government needs to "**shout out**" the significant opportunities for the sector in Wales, the natural resources, the skilled workforce and the appetite to be seen as a "clean and green" country.

The UK Government should invite specific **Welsh voices** into COP26 to set out the specific and unique characteristics in Wales including the legislative landscape of Wales eg WFG Act.

However, the UK Government will need to commit to significant investment in the Grid in Wales if investors are to gain confidence.

What implications is COP26 expected to have for Wales?

It is difficult to say at this stage. But if opportunities in renewable energy in Wales are set out on a **global platform** then this could be very positive. However, the opportunities need to benefit Wales and so smaller community led projects need to come to the fore.

Has the COP26 Year of Climate Action had any significant implications for Wales?

The focus for most people and businesses in 2020 and into the early part of 2021 has inevitably been on the impacts of the pandemic and our departure from the European Union. Therefore, the focus on COP26 has been less evident.

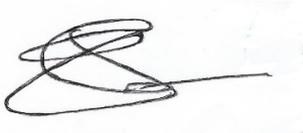
What opportunities are there for renewable energy to aid Wales post-COVID-19 economic recovery?

The inquiry that your Committee has launched on renewable energy in Wales comes after the UK Prime Minister announced a 10-point plan for a 'green industrial revolution'. We feel that Wales is in an unique position to support this “revolution” and to benefit from energy transition, particularly in wind power and marine renewables. We also feel that the opportunities to deliver **high-skilled employment** and to **invest in communities** across Wales will be an essential part of our post-Covid economic recovery.

Finally, we feel that the delivery of such investment will ultimately fall to civil engineering contractors and it is imperative that the experience and knowledge within our industry are considered by MPs ahead of your final report and recommendations to the UK Government. For your further information I have included some supplementary information that we considered as part of our response.

Thank you for this opportunity to respond. I trust that these views and observations are helpful to you and your Committee but please contact me should you wish to discuss these matters in greater detail.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Ed Evans', written over a light blue rectangular stamp or watermark.

Ed Evans
Director, Civil Engineering Contractors Association (CECA) Wales

Appendix A - Supplementary Information

The following supplementary information is included to provide context and background to our response.

A bit about the Civil Engineering Contractors Association (CECA) Wales Cymru

The Civil Engineering Contractors Association (CECA) Wales Cymru represents 60 of Wales' largest and smallest civil engineering contracting businesses with a cumulative annual turnover in excess of £1bn and employing over 6,000 people. These businesses play a huge part in supporting communities across Wales and make a significant contribution to the economic prosperity of our nation. Our members are also major providers of training and apprenticeship opportunities.

On a more fundamental level it is our members who will build the infrastructure that our nation needs to prosper.

The Current Devolution of Energy Policy

The Wales Act (2017) devolved the following powers to Wales concerning energy through the reserved powers model:

- Responsibility for marine licensing in the Welsh 'offshore region' - 12 nautical miles out to the median line (currently limited to the 'inshore region' - 0-12 nautical miles)
- Power to designate areas in the Welsh offshore region as Marine Conservation Zones (MCZs) (limited to the inshore region currently- Skomer is the only existing Welsh MCZ)
- Power to consent energy projects with a generating capacity of up to 350MW for both onshore and inshore energy extending the current 50MW limit for the onshore and 1MW limit for the inshore. Onshore wind projects will continue to have no upper limit
- Responsibility for licensing onshore oil and gas, including the extraction of shale gas, and for new coal mines
- Power of consent for 'associated development' for energy projects, for example transport links and overhead power lines to the same body that is responsible for the main project
- Power to make building regulations in respect of 'excepted energy buildings' - buildings that form part of energy infrastructure

Furthermore, the reserved powers model states that the specific reservations are allocated to the UK Government if they are not specified as a responsibility of the Welsh Government. They are as follows:

- Section D1 - Electricity
- Section D2 - Oil and gas
- Section D3 - Coal
- Section D4 - Nuclear energy
- Section D5 - Heat and cooling
- Section D6 - Energy conservation

Ahead of COP 26 next November, a special ministerial group from all devolved administrations has been formed to discuss the UK Presidency objectives and public and stakeholder engagement.

Existing Investment in Welsh Renewables

In partnership with Welsh local authorities, the UK Government has already indicated some specific elements of renewable energy investment through City and Growth Deals.

The North Wales Growth deal includes the Low Carbon Energy Programme. It will be there to deal with the various challenges to the delivery of many projects, including grid constraints, planning risk, capacity, and access to finance. The programme will be a partnership between the public sector and private investors.

The programme is set to provide key catalysts to promote and help shape North Wales with quality modern infrastructure to accommodate and facilitate sustainable growth in the low energy sector.

The Mid Wales deal proposal specifies energy as part of their 'road map' to identify projects and opportunities for delivery and development. The Swansea Bay City Deal also focuses on energy investment through Pembroke Dock Marine.

The National Infrastructure Bank will also look to foster private investment in all four nations of the UK. It is expected to be operational in Spring 2021.

The UK Government Energy White Paper

On 14th December, the UK Government published its long-awaited white paper on energy policy. It included a reform of onshore wind construction that will consist of competitive tendering for construction, similar to the new model introduced for mobile data. In the light of Hitachi withdrawing from Wylfa earlier this year, the UK Government's announcement to bring at least one large nuclear development to FID could be pivotal to the Welsh nuclear sector. However, this must be tempered with the fact that Sizewell C will be at the 'front of the queue'.

The full White Paper is [here](#).

February 2021