

## **Written evidence submitted by RenewableUK Cymru (REW0031)**

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Renewable UK Cymru (**RUKC**) is part of Renewable UK and is responsible for facilitating a renewable energy policy environment in which our members can operate, helping them grow their businesses and providing influencing and networking opportunities.

RUKC's members are building and operating our future energy system, powered by clean electricity. We bring them together to deliver that future faster, a future which is better for industry, billpayers, and the environment. Our members are business leaders, technology innovators, and expert thinkers from across Wales.

RUKC thanks the Welsh Affairs Select Committee for providing this opportunity for organisations to feedback on this important issue. RUKC has prepared the following commentary in response. We are also grateful to the committee for the opportunity to provide oral evidence.

## 1 UK Government Context

### The 10-point plan

RUKC welcomed the Prime Minister's 10-point plan, announced in November 2020.

At its heart is a commitment to low-cost renewable energy at its heart.

The scale of the ambition clearly signals an opportunity for Wales to be a leader across a suite of clean-tech industries, from EVs to renewable hydrogen, floating wind to zero carbon industry.

For example, the plan notes that 5GW of low carbon hydrogen production capacity by 2030 could deliver 8,000 jobs supported by a £240 million Net Zero Hydrogen Fund.<sup>1</sup> The plan refers to the introduction in 2021 of "a revenue mechanism to bring through private sector investment into industrial carbon capture and hydrogen projects via our new business models to support these projects."<sup>2</sup>

RUKC notes the Welsh Government's recent announcement of its own consultation document on Hydrogen strategy. RUKC is equally encouraged by the raft of investments coming forward to support Hydrogen development – e.g., Milford Haven's Energy Kingdom, Welsh Government funding for the initial technical designs for development of a Hydrogen hub on Anglesey.

On EVs, RUKC notes the commitment of up to £1 billion to support the electrification of UK vehicles and their supply chains, including developing 'Gigafactories' in the UK to produce the batteries needed at scale. A single factory could employ around 2,000 people in highly skilled jobs.<sup>3</sup>

RUKC also welcomed the announcement on CCUS and note South Wales Industrial Cluster was recently in receipt of a share of £8m UK Government to advance its plans to become a zero emissions industrial zone. Again, the plan notes "Our £1 billion CCUS Infrastructure Fund will provide industry with the certainty required to deploy CCUS at pace and at scale... which could support up to 50,000 jobs in the UK by 2030."<sup>4</sup>

The challenge for Wales is to ensure the underpinning infrastructure and support mechanisms materialise and that there is sufficient resource to deliver the necessary focus and force to realise the ambition.

Taking Offshore wind as an example, Wales is not yet in the same place as the North Sea Humber area. However, this should not detract from the vast potential in Wales and there needs to be a recognition that different parts of the UK are starting from different positions. This is reflected in some recent decisions:

- The Port of Cromarty Firth recently signed a Letter of Intent with Ideol, a global leader in floating foundations for offshore wind, which could create well in excess of five hundred new Scottish construction jobs.
- In July 2020 Britishvolt, a battery manufacturer for EVs, described Wales as having "vast untapped potential" after signing a memorandum of understanding with the Welsh government. However, the company chose Blyth for its battery gigaplant, citing better connections to renewable power sources such as windfarms in the North Sea and an interconnector to Norway's hydroelectric power as a rationale for its decision.

### Energy White Paper

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<sup>1</sup> The Ten Point Plan for a Green Industrial Revolution, point 8, Gov.uk, November 2020

<sup>2</sup> ibid

<sup>3</sup> ibid

<sup>4</sup> ibid

RUKC broadly welcomed the EWP in that it provides clear visibility on how the UK can ramp up decarbonisation across a wide range of sectors.

We were also pleased to see the white paper describes onshore and offshore wind as key building blocks for the future generation mix although with Onshore, there is very little detail regarding how its role will be developed.

Of additional note was reference to establishing a “Ministerial Delivery Group, which brings together the relevant Government departments to oversee the expansion for renewable power in the UK.” Its remit includes “development of appropriate network infrastructure to support future renewables deployment.”<sup>5</sup>

**Recommendation 1: RUKC would suggest that the WASC seeks guidance regarding the Ministerial group’s remit with respect to Wales and other devolved Governments. RUKC would suggest that such a forum would benefit from an inter-governmental remit. The group should also consider major energy systems challenges e.g., grid, which will impact the viability of the expansion of renewable power.**

## **2 Wales Government context**

### **The Environment (Wales) Act (2016)**

The Act places a duty on Welsh Ministers to set targets for reducing greenhouse (GHG) emissions. The Environment (Wales) Act 2016 introduced the target of an 80% reduction in the “net Welsh emissions account” (compared to the baseline of 1990 or 1995 levels) by 2050. This Act also requires interim emissions targets to be set for 2020, 2030 and 2040.

The Act also places an obligation on Welsh Ministers to set carbon budgets for Welsh emissions covering five-year periods to 2050. So far, Wales has legislated for the first two carbon budgets, which require emissions to be 23% below the baseline over the period 2016-2020 and 33% below the baseline for 2021-2026.

In December 2020, The UK Climate Change Committee (UK CCC) recommended that Wales increase its ambition to pursue a netzero target by 2050 (previous recommendations stipulated 95% netzero).

Lesley Griffiths, Minister for Climate Change, Energy and Rural affairs has committed to bring draft regulations before the Senedd to “update Wales’ emissions reduction pathway to set a path to net zero, well ahead of the UN’s Climate Change Conference, COP26 (COP26) in November.”<sup>6</sup>

The Act also sets out the target for generating 70% of electricity from renewable sources by 2030.

### **The Wales Act (2017)**

The Act devolves competence for the consenting of electricity generating stations up to 350MW both on and offshore, as well as associated overhead electric lines up to and including 132KV to the Welsh Ministers. It also devolves competence for harbour revision and empowerment orders and marine licences, and marine nature conservation functions in the offshore area.<sup>7</sup>

Devolution of these powers created some anomalies which Welsh Government would like to address through the introduction of Welsh Infrastructure Consents (WIC). This requires the introduction of primary legislation and the intent is to “consolidate existing consents under the TCPA, Electricity Act,

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<sup>5</sup> Energy White Paper, ‘Powering our netzero future’, P.51assets.publishing.service.gov.uk

<sup>6</sup> ibid

<sup>7</sup> Welsh Government consultation, towards establishing a bespoke infrastructure consenting process in Wales, 2018.

Harbours Act, and a number of other consents made under highways legislation, into one single type of consent.”<sup>8</sup>

In the interim, the recently devolved onshore energy generating stations and electric lines will be brought within the existing DNS process.<sup>9</sup> The interim solution will remain in place until the new WIC process is enacted.

### **Wellbeing of Future Generations (Wales) Act (2015)**

The act is designed to address several challenges now and in the future, such as climate change, poverty, health inequalities and jobs and growth. This Act commits public bodies to address these challenges with reference to seven specific well-being goals:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language.
- A globally responsible Wales

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<sup>8</sup> Senedd research “A new infrastructure consenting process for Wales, 2018

<sup>9</sup> Some RUKC members have raised concerns regarding the costs being quoted by Distribution Network Operators for DNS consenting processes. This could impede deployment of renewables in Wales.

### **3 - Progress against netzero target**

As noted by the UK Climate Change Committee in its December 2020 progress report:

“Emissions are falling in Wales. Emissions have fallen by 31% since 1990. In the first two years of the Wales First Carbon Budget period, emissions fell by 20%, almost entirely due to reductions in the power sector.”<sup>10</sup>

#### **Also...**

“Wales is...on track to meet the First Carbon Budget on the current inventory basis, as long as emissions do not increase in 2019 and 2020...Taking an assumption where emissions in 2019 are held constant at 2018 levels – which is supported by ETS data for 2019 – and assuming a 5% fall in emissions in 2020 due to the COVID-19 lockdown... would mean the First Carbon Budget is met on the existing inventory basis<sup>11</sup>”

#### **However, ...**

“Gaps remain. Underlying indicators and the lack of a cohesive, economy wide strategy for 2050 – at both UK and Welsh Government level – mean that Wales is not currently on track for the 80% target, let alone Net Zero.”<sup>12</sup>... The phase-out of coal-fired power generation is an important step for Wales, but progress must now be extended to other sectors of the economy.<sup>13</sup>

In responding to the Committee’s recommendations, Lesley Griffiths, Minister for Climate Change, Energy and Rural affairs agreed that there are gaps... “particularly where there is a need for a coherent UK-wide approach and where the responsibility for regulation of emissions is reserved to the government in Westminster. There are also areas of devolved responsibility where much more rapid progress must be made, including rates of tree planting and emissions reduction from agriculture.”<sup>14</sup>

To accommodate limitations of reserved powers, Welsh Government’s strategic approach is guided by a collaborative ‘Team Wales’ approach, framed by the principles outlined in the Wellbeing of Future Generations (2015) Act. The Minister continues:

“Where we have seen success in emissions reduction it has involved collaborative efforts at every level, from households and communities making changes as well as businesses and public bodies creating the circumstances which enable those changes. This kind of collaboration allows us to achieve positive progress beyond the limits of devolved powers.”<sup>15</sup>

RUKC notes that approximately 60% of the UK CCC’s balanced pathway to net zero for Wales is currently reliant upon ‘mostly reserved’ matters.<sup>16</sup>

### **4 - Progress against renewable power target**

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<sup>10</sup> UK CCC progress report, “Reducing emissions in Wales”, December 2020

<sup>11</sup> Ibid. P.28

<sup>12</sup> Ibid P.31

<sup>13</sup> Ibid. P.31

<sup>14</sup> Written Statement: Wales’ long-term emissions reduction pathway to 2050 and the Climate Change Committee Advice

<sup>15</sup> *ibid*

<sup>16</sup> UK CCC (December 2020) Advice report: *The Path to a Net Zero Wales*. Figure 7

Wales' current progress against its target of 70% of electricity consumed to be generated from renewable sources by 2030 sits at just over 50%<sup>17</sup> but the rate of building up renewables generation capacity has slowed since 2015, with only 126 MW of capacity installed in 2018 compared to more than 900 MW in 2015.<sup>18</sup>

It is possible that the lack of revenue support for Onshore wind (albeit now to be reinstated under AR4) after 2015 contributed to this, as well as long-standing issues with lack of grid capacity.

It is 83% of the way towards its target of 1 GW of renewable energy capacity in Wales to be locally owned by 2030.<sup>19</sup> Renewables contribute 27% of overall power generation with the rest from gas fired power.<sup>20</sup>

The 70% target is largely a product of a recognition by Welsh Government that this represents a better indicator of progress in the power sector than focusing on Welsh power generation emissions alone which, while reflecting fossil generation in Wales, wouldn't reflect the contribution of zero-carbon generation to the wider GB system.<sup>21</sup>

RUKC would emphasise that in the context of UK CCC's contention that "by 2035, all UK production will be zero carbon,"<sup>22</sup> the 70% target requires strengthening.

There is also the question of the extent to which Wales wants to be an exporter of power. The appetite for this is, to some extent, dependent on how much Wales benefits from hosting power generation.

As stated in Welsh Government's economic development plan:

"We want Wales to benefit from the opportunities arising from the shift from a fossil fuel to a low carbon-based economy and for this transition to support a transformation in our prosperity, health and well-being."<sup>23</sup>

As among the cheapest and most 'shovel ready' technology, Onshore wind can potentially continue to make a significant contribution to Wales' decarbonisation roadmap.

Vivid Economics research suggested that deployment of the UK CCC's recommended 35GW of UK Onshore wind by 2035 could deliver 1600 jobs for Wales<sup>24</sup> - with jobs in the O&M sector carrying an average GVA per worker of £180,000<sup>25</sup> (compared to an average GVA worker of around £45,000.)

There is also the question of future demand. UK CCC has suggested that electricity consumption could double by 2050 to accommodate deep, multi-sectoral decarbonisation.

Take EVs: National Grid ESO predicts that the increase in electricity demand will mirror the increase in renewables.<sup>26</sup> Vivid Economics analysis for the UK Climate Change Committee in 2018 suggests that 10 million electric vehicles could be on the roads, at low cost, by 2035. This could represent almost an extra 40TWh to annual demand for power.

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<sup>17</sup> Energy generation in Wales 2019, gov.wales

<sup>18</sup> UK CCC progress report, "Reducing emissions in Wales", December 2020

<sup>19</sup> ibid

<sup>20</sup> ibid

<sup>21</sup> Technical annex – setting Welsh Carbon budgets – the UK CCC (5<sup>th</sup> Carbon budget), P.4

<sup>22</sup> Theccc.org.uk Dec 9, 2020, building back better – Raising the UK's climate ambitions for 2035 will put Net Zero within reach and change the UK for the better

<sup>23</sup> Prosperity for all, economic action plan, 2019, p.29

<sup>24</sup> Vivid Economics, Quantifying the benefits of Onshore wind, 2019.

<sup>25</sup> ibid

<sup>26</sup> Future Energy Scenarios NG ESO, 2019

The new charging infrastructure needed for electric cars and vans will significantly increase demand on the system, presenting challenges for distribution networks. SPEN predicts that EV charging alone could add over 700MW to its distribution network (incorporating Mid and North Wales, Wirral, Mid Cheshire) by 2050 absent V2G services.<sup>27</sup>

17 out of 22 Wales' UA areas have fewer than 10 EV chargers<sup>28</sup>

**Note on community benefit and ownership.**

RUKC also notes the significant contribution its members make to communities already. In 2020, wind energy projects contributed over £4m to local communities.<sup>29</sup>

For example, Vattenfall's Pen y Cymoedd onshore wind farm in the Upper Neath, Rhondda, Cynon and Afan valleys contributes over £1.8 million to the local community each year, supporting 100 jobs.

A Covid emergency fund to help businesses and community groups financially has distributed over £500,000.

The Play Yard in Treorchy is a soft play centre for babies, toddlers, and children. It was supported by £350,000 from the Pen y Cymoedd Community Fund, providing a vital community resource that has created jobs and allowed people to connect and improve their physical and mental health.<sup>30</sup>

Wales is 83% of the way towards its target of 1 GW of renewable energy capacity in Wales to be locally owned by 2030.<sup>31</sup>

Achieving community ownership of large-scale windfarms is challenging owing to the large sums of up-front capital expenditure communities need to raise. Rates of return on merchant (subsidy-free) projects as well as rates of interest on loans are also significant considerations.

Onshore wind developers are keen to engage in dialogue with a wide range of stakeholders to explore funding approaches which could deliver a pipeline of projects while ensuring significant ongoing benefits accrue to local communities and the Welsh economy at large.

This could be done, for example, through public bodies acquiring a stake in projects whose capital expenditure requirements are too great to realistically attract community investment. Publicly acquired stakes in scale renewable projects potentially deliver significant revenue to Welsh treasury and could be dispersed for the benefit of local communities and nationally strategic spending priorities. It is important, however, that the local benefits of investment are ring-fenced for the benefit of the vicinity of the project.

Indeed, the Future Generations Commissioner's 2020 report recommends that Welsh Government "set out a long-term investment plan of how they will fund the climate emergency and support more ambitious commitments and targets for sectors within their control", which among the areas of focus includes "implementing solutions at scale which achieve multiple benefits."<sup>32</sup>

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<sup>27</sup> SPEN DFES, April 2020, Key findings, P.15

<sup>28</sup> EV Charging Strategy for Wales – Welsh Government Consultation

<sup>29</sup> RUKC data, renewableuk/Cymru, Nov 25, 2020

<sup>30</sup> Renewableuk/Cymru press release, November 23, 2020.

<sup>31</sup> Energy Generation in Wales 2019, gov. wales, p.5

<sup>32</sup> Future Generations 2020 report, futuregenerations.wales/work/decarbonisation

## 5 - Questions

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

#### Consenting and planning frameworks

Broadly speaking, RUKC members have not indicated (through representation to RUKC) that there is a 'powers deficit' in need of urgent address to facilitate further development.

In relation to planning, Welsh Government is set to enact its major infrastructure planning framework, 'Future Wales – The National Plan 2020-40' before the end of this Senedd term (April 2021).

Planning guidelines for large Onshore wind projects offer a balanced 'criteria led' approach for projects in areas outside national parks and other specially designated areas, which is widely acknowledged as an improvement on the previous TAN 8 regime.

Welsh Government's own new 'pre-assessed' areas which carry a presumption in favour of landscape and visual amenity change (and which contain some overlap with the TAN 8 'strategic search areas') are not, overall, conducive to large scale onshore wind development in RUKC's view.<sup>33</sup>

'Future Wales' does not provide clarity on how associated infrastructure in relation to large onshore wind projects will be considered.

Offshore Renewables are not considered in 'Future Wales' and instead are considered by Wales National Marine Plan. Offshore wind developments above 350MW require a development consent order (DCO) as well as a marine licence in the inshore plan and are determined under the NSIPs regime.

Taking floating wind as an example, while initial Celtic Sea projects being delivered are under 350MW, the scale of these will ramp up quickly. At the point where the UK Government planning process begins, it will be imperative for UK and Welsh Governments to collaborate.

Whilst not a matter for UK Government, RUKC is also concerned that NRW must have adequate resources to deliver planning and consenting decisions.

- **Recommendation 2: RUKC suggests that WASC seek assurances that in continuing to update its National Policy Statements, UK Government pays due regard to 'Future Wales – The National Plan' to ensure there is alignment between the respective over-arching planning regimes.**
- **Recommendation 3: WASC should recommend that statutory timescales be introduced for the granting of marine licences. Delays to these awards may put future 'Welsh' offshore wind projects at a competitive disadvantage in future Contracts for Difference auction rounds.<sup>34</sup>**

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<sup>33</sup> RUKC response to the National Development Framework consultation

<sup>34</sup> The [Marine and Coastal Access Act 2009](#) (MCAA 2009) establishes a marine licensing and enforcement regime under which the Welsh Ministers are the appropriate licensing authority and enforcement authority. Most of these licensing functions are delegated to Natural Resources Wales (NRW) pursuant to a delegation order made under section 98 of MCAA 2009, while the enforcement functions are retained by the Welsh Ministers.



- **Recommendation 4: Further, WASC should recommend that there be greater collaboration and information sharing between relevant agencies e.g., Planning Inspectorate (PINS), BEIS, Natural Resources Wales (NRW) to speed up decision making in relation to all new low carbon generation deployments.**

## Grid

Welsh Government has competence over consenting overhead cables (OHLs) up to and including 132kv. UK Government has competence over the high voltage transmission network.

The issues relating to Grid in Wales are long-standing and well established. As the Minister for Environment, Energy and Rural Affairs noted during recent questions during Senedd plenary:

*“Networks in Wales are remarkably resilient. Since 2010, 2.4 GW of new renewable capacity has been connected to the existing grid. However, we will need new infrastructure to achieve our ambitious decarbonisation targets. The UK Government dictates the ability to build new grid infrastructure through price controls, currently being reviewed by Ofgem.”<sup>35</sup>*

Constraint on Wales’ grid are likely to be exacerbated by the requirement for development of considerable offshore wind generation (fixed bottom and floating offshore wind) within a short time scale (40GW by 2030)<sup>36</sup>. Onshore developments face existing constraints in the form of a lack of grid availability and considerable competition for connections.

There is also significant potential in North Wales, both through active projects in development e.g., RWE’s Awel y Môr extension and potential development through The Crown Estate’s fourth round of seabed licencing which includes Northern Wales [sic] and The Irish Sea among four ‘bidding areas’ which it hopes can deliver at least 7GW of Offshore wind projects.

Investments in grid infrastructure are limited by the regulator (Ofgem) through five-yearly price controls (called RIIO). In its response to Ofgem’s final determinations for the pricing control period covering 2021-6 (RIIO2), published in December 2020, RUK commented,

*“It’s good to see that Ofgem recognises the importance of attracting investment to connect offshore wind farms along the east coast of England as well as higher levels of renewable capacity in Scotland including onshore wind.”*

RUKC is concerned the focus to strengthen the grid appears to be the UK’s eastern seaboard. Indeed, the Celtic Sea, with its significant potential, does not currently figure in the National Grid’s (ESO) Future Energy Scenarios.

Ofgem’s final determination in relation to the RIIO2 pricing period 2021-6 do, however, refer to the possibility that projects with a value <£100m would be able to apply for funding throughout each year of the pricing control period through the ‘re-opener’ mechanism - and receive a decision from Ofgem within a year.<sup>37</sup>

The netzero ‘re-opener’ mechanism provides for investment that companies can flexibly call upon to increase funding as needs become clearer and policies evolve. These “could provide £10bn or more

<sup>35</sup> [record.assembly.wales/WrittenQuestion/80932](https://record.assembly.wales/WrittenQuestion/80932)

<sup>36</sup> <https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution/title>

<sup>37</sup> [Ofgem.gov.uk](https://www.ofgem.gov.uk), July 31, 2020

for good value projects and £450 million for strategic investment, with the potential to add more innovation funding if needed.”<sup>38</sup>

Ofgem is also set to implement “a Net Zero and Re-opener Development ‘use it or lose it’ allowance to fund small Net Zero facilitation projects” – and allow early development work on projects that companies intend to bring forward under the net zero and medium Sized Investment Projects (MSIP)<sup>39</sup>

RUKC is unclear as to the extent of Welsh Government’s engagement with the regulator or of the extent to which it has sought to make the case in relation to Wales’ future requirements to strengthen its networks (although RUKC is aware that Welsh Government sits on Ofgem’s net zero advisory group). RUKC would also emphasise that the grid constraints developers face are immediate (and long-standing) issues.

The Wales Act 2017 includes provisions which give a formal consultative role to the Welsh Government and National Assembly for Wales in designing renewables incentives and Ofgem strategic priorities. Now that the RII02 process is complete, it is unclear the extent to which Welsh Government has championed the cause for investment in Wales.

That said, RUKC notes that Welsh Government views this situation with grid with seriousness. Two studies are in progress to quantify the potential resource (for Onshore and Offshore wind) and the requisite underpinning which may become necessary to deliver it.

While this is welcome, RUKC members are progressing projects in the here and now, so pace is of the essence.

**Recommendation 5: WASC should seek assurance that the ongoing Offshore Transmission Network Review consider where planning requirements could be causing avoidable delays – for example assessing where planning timescales could be compressed or run in parallel rather than in succession to improve efficiency. (see also Recommendation 1)**

**Recommendation 6: RUKC suggests the WASC considers requesting that Ofgem clarifies its remit for anticipatory investment in areas which currently face grid constraints (i.e., Wales) but which are likely to undergo significant uplift in renewables generation, and how it will engage with key stakeholders to ensure these constraints are addressed to enhance the prospects of netzero targets being met and to avoid delays in Wales decarbonisation roadmap.**

**Recommendation 7: To inform its work, RUKC suggests that WASC might request further briefing from relevant stakeholders regarding Wales’ potential uplift in power generating capacity, the commensurate network underpinning which would be required to deliver these projects and where any such underpinning would need to be located.**

## **Ports Infrastructure**

Reflecting both the relatively recent devolving of competencies regarding ports and the pace at which adaptations to ports infrastructure are likely to proceed, RUKC members have highlighted the critical imperative that Welsh Government teams are resourced adequately to accommodate the likely huge uptick in activity.

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<sup>38</sup> *ibid*

<sup>39</sup> Ofgem RII02 final determinations, Dec 2020 P.91

Given the vast potential of fixed bottom and floating offshore wind around the Welsh coast over the coming decades, it's clear there will be commensurately large opportunities for Wales to capitalise. Fundamental to this, in RUKC's view, will be the development of ports and their immediate inland infrastructure to accommodate the scale of projects which could materialise.

Port Talbot is an example of one port which could contribute significantly. It has one of the deepest berths in the UK and the potential to accommodate a major, purpose-built deep-water facility, making it potentially a key player in facilitating growth of Floating Wind in the Celtic Sea. Steel coils produced by the steel production facility can be used by fabricators for secondary steelwork for offshore wind structures.

Welsh Government is due to publish its recommendations for port infrastructure development in Wales in 2021. In addition, UK Government signalled the critical function ports will play in delivering the ambition for Offshore wind as part of its recently announced 10-point plan for a green industrial revolution:

"To support this enlarging industry, we will invest £160 million into modern ports and manufacturing infrastructure, providing high quality employment in coastal regions"<sup>40</sup>

This announcement followed the October 2020 announcement of a £200m investment fund for ports to invest in new infrastructure as part of the preparation for the end of the Brexit transition period.<sup>41</sup>

In addition, the UK Conservative Party's 2019 manifesto committed to creating "up to ten" freeports.

As noted by the Welsh Affairs Select Committee in its recent enquiry into freeports: "While there are competing arguments about the potential economic benefits of freeports, the major Welsh ports have responded positively to the consultation and have set out different proposals for how freeport status could enhance their operations and boost their contribution to the Welsh and UK economy."<sup>42</sup>

In its recommendation to Welsh Government regarding the implications of Brexit for Welsh ports the Senedd External Affairs Committee recommended that:

"The Welsh Government is more proactive in its approach to the designation of Free Zones / Free Ports and undertakes further work to determine whether or not a port, or ports in Wales, could benefit from Free Port designation."<sup>43</sup>

As a result of the Wales Act 2017, most powers in relation to the regulation and supervision of ports and harbours in Wales, except for reserved trust ports, are devolved to the Welsh Government and National Assembly for Wales.

As noted by the Welsh Affairs Committee in its enquiry into freeports in 2020: "In terms of related issues such as transport connections to ports and the planning system, there is a complex web of devolved and reserved competence."<sup>44</sup>

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<sup>40</sup> 'Ten Point Plan for a Green Industrial Revolution', November 18, 2020, [www.gov.uk](http://www.gov.uk)

<sup>41</sup> £200m port infrastructure fund opens for bids, Press Release, Gov.uk 2 October 2020

<sup>42</sup> Freeports and Wales, Welsh Affairs Select Committee, 2020

<sup>43</sup> Written Response by the Welsh Government to the report of the External Affairs Committee. N.B. RUKC notes Welsh Government's ports study will be published later in 2021.

<sup>44</sup> Freeports and Wales, Welsh Affairs Select Committee, 2020

RUKC and its members are concerned that the raft of announcements, overlapping legislative framework and any protracted disagreement between UK and Welsh Government could hinder the pace at which Welsh ports are able to make the necessary adaptations, leading to their missing out on key growth areas. Indeed, if free ports are going to be the vehicle and hubs will be developed around them, what does that mean for the non-free ports?

Equally, while UK Government has committed to supporting port investment to develop fixed-bottom capability, it would be helpful to understand whether subsequent funding would be made available to support the development of floating wind and, more broadly, to reflect that different parts of the UK have different requirements and are moving at differing speeds.

In relation to the recently announced Offshore Wind Manufacturing Investment Support fund<sup>45</sup>, while this is obviously welcome, RUKC would suggest it likely that this funding (~£160m) will be absorbed largely by fixed bottom Offshore wind in areas of the UK which have an established presence in the market. Similarly, RUCK is unclear whether these funds would be used solely for ports upgrades or by sector manufacturers.

**Recommendation 8: RUKC would welcome the WASC's calling for the prioritisation of an agreement between UK and Welsh Governments regarding the parameters to ensure a level playing field for all Welsh ports without disadvantaging them either in relation to ports outside Wales or in relation to being able to access all available support.**

**Recommendation 9: RUKC would request that WASC establishes what commentary UK Government can provide regarding the potential likelihood for future funding of ports infrastructure (subsequent to the OWMIS fund) in Wales to support the emergent floating offshore sector.**

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

It is disappointing that there continues to be disagreement regarding the funding, structure, and administration of the proposed Shared Prosperity Fund. Any protracted disagreement will only serve to delay and damage prospects for the development of renewable energy projects in Wales. As a case in point, around €100m funds were earmarked for marine energy in Wales For the period 2014–2020, administered by the Welsh European Funding Office (WEFO).

Although current EU funding through the ESF remains open until the end of 2023, it's clear that future provisions for these funding streams must be agreed by prioritising local decision making and with respect to the legislative context of the Wellbeing of Future Generations (Wales) Act.

RUKC notes there are many examples of UK Government jointly funding low carbon initiatives in Wales:

- The recent signing of growth deals for Mid and North Wales recently represents welcome investment and (contrary to the SPF as it stands) is a good example of collaboration which places decision making where it belongs.
- UKRI funding is also currently supporting the potential development of small modular reactors in North Wales, South Wales Industrial Cluster's net-zero industrial zone and

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<sup>45</sup> <https://www.gov.uk/government/publications/offshore-wind-manufacturing-investment-support-scheme>

Milford Haven's Energy Kingdom, which, with joint investment from private sector partners, aims to accelerate the transition to an integrated hydrogen and renewable energy system.

### **Floating Offshore Wind in the Celtic Sea**

In a report, OREC predicts that "cost reduction in UK FLOW will happen much faster than it did in bottom-fixed wind. It will benefit from using state of the art turbine technology and O&M innovations. It will also benefit from greater levels of competition for project financing, particularly in the development phase. This, in combination with the maturity of the broader offshore wind sector means the industry will have much lower cost of capital than bottom-fixed offshore wind at the same stage of commercial maturity."<sup>46</sup>

### **Seabed leasing**

Seabed licencing for England & Wales is the jurisdiction of The Crown Estate. The Crown Estate Scotland has recently embarked on a first call for bids for a separate leasing round – 'Scotwind'. Its aim is to grant property rights for new commercial scale offshore wind project development with potential capacity between 8 – 10GW. This has important implications.

RUKC believes that the Celtic Sea will play a leading role, alongside the opportunities afforded by ScotWind, in the establishment of a successful floating wind industry and strong domestic supply chain.

With ScotWind projects likely to come into the market in the late 2020s, it is important that the Crown Estate's activities enable a small number of early commercial scale projects to come forwards, between now and 2030, and as a stepping stone to far larger projects in the 2030s.

RUKC would also note that future Contracts for Difference (CfD) auction rounds may attract both Scottish and Welsh floating wind projects. While noting the important ongoing aim of achieving fair value for money, the potential for competing projects to cancel each other out would, in RUKC's view, be inimical to the supply chain development which is vital to underpin the larger projects which may follow.

RUKC therefore considers that for floating wind the focus of the CfD should be the development of the local supply chain in the 2020s to enable it to prepare for competition with the large-scale projects in the 2030s.

Purely from a 'whole system' perspective, it should also be borne in mind that Welsh projects will have the potential to balance the North Sea area with power being generated 'out of synch' between the two areas.

RUKC considers the awarding of leases to early commercial-scale projects as an interim, stepping stone which should be time limited and should support projects commissioning before 2030.

We envisage successful applicants potentially targeting CfD Allocation Round Six (2025) timetable. Therefore, for this to truly be an interim step, the Crown Estate's process will need to be both robust and rapid.

The Celtic Sea's full potential could be realised off the back of stepping stone projects with full leasing rounds being delivered by the Crown Estate. Given the significant time gap between previous leasing rounds (3 and 4), RUKC would stress the vital importance that the Crown Estate acts

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<sup>46</sup> floating offshore wind: cost reduction pathways to subsidy free, OREC, January 2021, P.16

as swiftly as practicably possible to ensure the area's generating potential, along with supply chain and economic benefits, stand the greatest chance of being realised.

**Recommendation 10: Considering OREC's recent report in which it foresees a steep cost reduction pathway for FLOW in the relatively short term (and specifically with reference to the Celtic Sea), RUKC recommends that WASC requests TCE outline its strategic approach for future licencing rounds for FLOW in the Celtic Sea and around the Welsh coast.**

#### **Stakeholder co-operation**

In its recent report, the Offshore Renewable Energy Catapult (OREC) estimated the potential power resource in UK and Irish waters as between 15 – 50GW<sup>47</sup>. Given the strong possibility of large commercial scale projects in floating wind in the Celtic Sea during the 2030s, RUKC would welcome the highest degree of intra Governmental co-operation to drive an economic strategy for the area.

Cementing, and extending these collaborative partnerships now will assist in driving development but could also be accelerated to include developments in complementary sectors such as oil and gas decarbonisation, hydrogen, CCUS, interconnectors and ports. Netzero should be a unifying endeavour given its dimension and therefore aligning goals and delivery should be a collaborative endeavour to all practical intent.

**Recommendation 11: Reiterating recommendation 6, RUKC would suggest that the WASC seeks guidance regarding the Ministerial group's remit with respect to Wales and other devolved Governments. RUKC would suggest that such a forum would benefit from an inter-governmental remit. The group should also consider major energy systems challenges e.g., grid, which will impact the viability of the expansion of renewable power.**

The Brexit Trade and Co-operation agreement referred to “enhanced cooperation on renewable energy, including in the North Sea to facilitate the development of hybrid projects that combine interconnectors and offshore windfarms, and opens up the potential for a North Sea grid.”<sup>48</sup>

In RUKC's view, this is equally applicable to the Celtic Sea. There is an opportunity for the creation of a Celtic Sea Economic Zone allowing the UK to benefit economically from sites being developed in Irish waters as well as using the sea to help deliver Net Zero. Welsh Government, The Irish Government and Cornwall & Scilly Isles LEP, along with numerous business stakeholders are already forging ahead in developing routes for greater co-operation.<sup>49</sup>

**Recommendation 12: Using the appropriate forum, RUKC would request that the WASC seek clarification on the potential for UK Government to collaborate more closely with Celtic Sea Alliance partners to ensure that enhanced 'post Brexit' co-operation envisaged for the North Sea is matched by similar ambition for the Celtic Sea.**

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

RUKC would first note its concern at the continued disagreement regarding the funding, structure, and administration of the proposed Shared Prosperity Fund. Any protracted disagreement will only serve to delay and damage prospects for the development of renewable energy projects in Wales.

<sup>47</sup> Floating Wind in the Celtic Sea, OREC report, 2020

<sup>48</sup> Summary explainer, International Treaty, December 31, 2020

<sup>49</sup> Ireland, Wales, and Cornwall combine to capture floating wind opportunity in the Celtic sea, Marine Energy Wales press release, 2019.

Although current EU funding through the ESF remains open until the end of 2023, it's clear that agreeing future provisions for these funding streams must be prioritised, especially to support emerging renewables technologies in areas where Wales stands to achieve an early mover advantage. Around €100m funds were earmarked for marine energy in Wales For the period 2014–2020, administered by the Welsh European Funding Office (WEFO).<sup>50</sup>

The Contracts for Difference (CfD) has proved hugely successful in securing large volumes of clean power at the cheapest cost to consumers. The clarity afforded by the CfD has allowed the industry to invest and reduce costs. For offshore wind, the 2019 CfD auction procured 5.5GW of offshore wind at record low prices of £39.65-£41.61 per megawatt hour, a reduction in cost of 66% compared to 2015.

RUKC was also pleased to see the resumption of Pot 1 auctions for onshore wind and solar.

As one observer commented about Onshore's status as a cheap renewable technology, "Access to the CfD means onshore wind companies offering to pay UK consumers for the right to generate in return for Government setting a price floor and sharing some of the risk in development. It's a great deal for electricity consumers."

RUKC also supported the creation of a pot 2 to support emerging technologies and a pot 3 for fixed bottom offshore wind.

The April 2019 *Vivid Economics* report prepared for the Committee on Climate Change (CCC) identified the need for up to 35GW of onshore wind by 2035 to help deliver net zero by 2050; requiring an annual deployment of c.1.5GW.

**Recommendation 13: RUKC would ask that the WASC consider clarifying BEIS' intentions as regards future auction rounds and confirmation that "Pot 1" (including onshore wind & solar) will remain supported and reflect the likely volume of projects which will bid for contracts.**

### **Wave and Tidal sector support**

Wales has significant potential in this emerging sector with 16 marine energy developers actively progressing projects in Wales with seabed agreements in place for over 362 MW of marine energy sites.<sup>51</sup>

As noted by Marine Energy Wales, "Wales has the potential to establish an early mover advantage in an export market worth an estimated £76 billion by 2050, exporting marine energy technologies, skills, knowledge and intellectual property across the globe."<sup>52</sup>

The costs to support such deployments are higher and represent a difficult challenge to UK Government in terms of balancing industry development with value to the taxpayer. However, the

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<sup>50</sup> [Marineenergywales.co.uk/about/funding](https://marineenergywales.co.uk/about/funding)

<sup>51</sup> Marine Energy Wales, State of Sector report, 2019 P.4

<sup>52</sup> *ibid*

precedent set by the precipitous drop in Offshore wind (for example) demonstrates the impact a well-constructed, predictable subsidy regime can have.

RUKC welcomed the creation of a 'CfD Pot 2' for emerging technologies as part of BEIS' recent AR4 process, however some of these pre-commercialisation technologies may still experience a funding gap.

To bridge this gap, RUKC supports Innovation Power Purchase Agreements which would allow early-stage developers access to funding to commercialise their technologies by, for example, allowing buyers to reclaim the difference between a pre-agreed 'strike price' and the market price for power as a tax rebate.

In its response to BEIS' AR4 consultation, RUKC also noted the potential of an Innovation CfD which could build on the existing framework of the main CfD and provide a mechanism of support to move technologies towards commercialisation.

All technologies, at whatever stage of maturity, must factor in environmental benefits and supply chain benefits to marry net zero with economic and industrial growth.

As UK Government explained: "The government considers this approach will allow auction parameters to be set in a way which better reflects project characteristics. Separating offshore wind projects – which are generally much bigger in size and have lower costs than other Pot 2 technologies – will allow more appropriate parameters (e.g., monetary budget, capacity cap, delivery years) to be set for each of the pots to reflect project characteristics and reduce the risk of suboptimal auction outcomes (such as higher strike prices, and hence consumer costs, than necessary)."<sup>53</sup>

RUKC also notes the raft of consultations which were introduced alongside the Energy White Paper, including fine-tuning Contracts for Differences to ensure they continue to offer best value for money for consumers while accelerating the growth of the UK renewables supply chain. RUKC members are working to maximise supply chain opportunities for companies throughout the country.

RUKC would also note its concern for future provision of funding for marine energy sector projects. Although current EU funding through the ESF remains open until the end of 2023, future provisions for these funding streams must be agreed by prioritising local decision making and with respect to the legislative context of the Wellbeing of Future Generations (Wales) Act.

### **Feed-in tariffs**

Small-scale renewables technologies are a vital part of creating the more local, smart power networks that will be central to the UK's future energy system.

RUKC was concerned at the decision to close the FIT regime without having a policy in place to replace it and recommended a range of tariffs across project 'bands' would be the best means to ensure avoiding contraction in the wind energy supply chain.

RUKC broadly welcomed the replacement regime – the Smart Export Guarantee – with its focus on the role of small-scale generation in developing a smarter, more decentralised energy system that benefits consumers.

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<sup>53</sup> Contracts for Difference for Low Carbon Electricity Generation Government response to consultation on proposed amendments to the scheme, November 2020



RUKC's view is that Small-scale wind energy and other renewable generation reduces overall demand on the grid and supports thousands of jobs in industries across the UK.

It was also welcome that UK Government granted a 12-month extension to validity periods for all pre-registrations for community energy solar photovoltaic (PV) installations and all preliminary accreditations which originally expired on or after 1 March 2020.

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

Projects combining interconnections and offshore wind will help reduce the amount of electricity works onshore, meaning that any impact on coastal communities is kept to a minimum.

As renewables generate at the lowest cost, they will be called to supply demand first. When not met by the amount of power generated by renewables, demand will have to be met by other sources of low carbon technology.

Post Brexit, it is essential that these flows maintain optimum responsiveness and flexibility. Building more interconnectors will drive down costs for consumers even further by allowing more clean electricity to flow between countries.

However, increased interconnection is only beneficial between markets where there is a 'level playing field' e.g., carbon price and policy support.

RUKC members have also noted that projects being developed in Irish waters of the Celtic Sea could benefit the Welsh supply chain and energy system, for example the recently announced JV between Shell and the Irish developer Simply Blue Energy.<sup>54</sup> These opportunities would be enhanced further if Irish projects could provide power directly to the UK (as was discussed by the UK and Irish governments in 2014).<sup>55</sup>

Finally, the opportunity for export from Welsh waters to the continent should be considered in the future given the EU's requirement for 300GW of offshore wind by 2050.<sup>56</sup>

#### **Greenlink**

The Greenlink interconnector has a nominal capacity of 500 megawatts, equivalent to powering 380,000 homes and is proposed to connect between County Wexford and Pembroke.<sup>57</sup>

There is clear synergy here between the connector's availability and the potential for floating offshore wind in the Celtic Sea. Given the potential economic benefits of the projects in terms of employment and ~£400m capital investment, RUKC supports the development as part of a strategic economic area plan which prioritises local community benefits.

RUKC also notes that increased North-South transmission-level interconnection *within* Wales, featuring several new Grid Supply Points connecting into the local distribution network, would also enable increased opportunities for onshore wind and community energy as well as facilitating net

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<sup>54</sup> [Simplyblueenergy.com/projects](https://simplyblueenergy.com/projects)

<sup>55</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/340932/DECC\\_Non-UK\\_CfD\\_August\\_2014.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/340932/DECC_Non-UK_CfD_August_2014.pdf)

<sup>56</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0741&from=EN>

<sup>57</sup> [Greenlink.ie](https://www.greenlink.ie)

zero in Mid-Wales (by allowing increased decarbonisation of transport and heating). **(See also above recommendation 7)**

**5.5/5.6/5.7 How can the UK Government facilitate Welsh contributions to COP26? What implications is COP26 expected to have for Wales? Has the COP26 Year of Climate Action had any significant implications for Wales?**

We know that Welsh Government will bring regulations before the Senedd to strengthen its netzero roadmap and this is a positive signal of intent to be able to share with other countries.

Equally, it is committed to the UK ETS scheme which “has the most environmentally ambitious carbon market in the world.”

We know there is already a strong international dimension to Wales decarbonisation roadmap and that it is keen to extoll the virtues of the Wellbeing of Future Generations (Wales) Act to other countries. COP26 presents an opportunity to further gain traction for Wales decarbonisation ‘brand’.

We know that UK embassies in countries around the world are engaging their respective Governments’, encouraging them to increase their decarbonisation ambitions.

The UK Government does, and needs to, recognise that, given the established supply chain for renewables in the UK, there is a benevolence and self interest in encouraging increased power decarbonisation.

Given the vast potential of the Celtic Sea in Floating Wind alluded to previously, RUKC would note the potential opportunity presented by COP26 to strengthen co-operation between Welsh and UK Governments and the EU in relation to the future status of the Celtic Sea as a driver for clean growth and local supply chain development.

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

The UK Government’s 10-point plan has signalled the scale of ambition: 60% UK content from 40GW Offshore wind by 2030, 250,000 green jobs by 2030, 5GW of Hydrogen capacity, 1GW of Floating Wind.<sup>58</sup>

With huge cumulative potential in Onshore, Offshore (fixed and floating) wind, an emergent wave and tidal technology sector, potential for Hydrogen production, CCUS, battery production and development, Wales clearly stands to make a significant contribution to the ‘green recovery’.

The nature of the opportunity also means that the benefits could be dispersed throughout Wales’ economy and regions.

For example, the two Blue Gem Wind (floating wind) joint venture projects in the Celtic Sea have committed c.£70M of private investment to take the projects to FID in 2023 and 2026, respectively.

To date, 85% of the c.£13M of contracts let date have been won by UK companies, with £1.8M allocated to businesses in Pembrokeshire. The most significant risk to the second project is the lack of a leasing process for floating wind above 100MW in England and Wales placing Wales at a disadvantage vis-à-vis to Scotland.

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<sup>58</sup> The Ten-point plan for a green industrial revolution

RUKC noted the potential opportunity for renewables to contribute to green recovery, along with the potential 'brakes' on progress in a letter to Wales' Counsel General, Jeremy Miles QC in 2020.

RUKC contends that chief among potential brakes on Wales' being able to capitalise will be constraints on its grid infrastructure. Smart, distributed, community scale generation will be a vital part of delivering Wales' decarbonisation ambition, but it will not be enough.

Second, there must be sufficient expertise and resource available to Welsh Government to be able to work with industry stakeholders to unlock the opportunities which exist.

Third, UK Government must ensure that funding streams which are put in place to support 'levelling up' through the green recovery recognise that different parts of the UK, including Wales, will have different requirements. Further, there needs to be a prioritisation of agreeing between UKG and Welsh Government a) what the parameters should be to ensure a level playing field for all Welsh ports without disadvantaging them and b) a swift resolution and agreement for future arrangements for the Shared Prosperity Fund.

*February 2021*