

## Written Response by the Welsh Government to the Economy, Trade and Rural Affairs Committee's report entitled *Nuclear energy and the Welsh economy*.

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I would first like to thank the members of the Economic, Trade and Rural Affairs Committee for their report on '*Nuclear energy in the Welsh economy*'. This is an important report at a key time in the development of the nuclear industry in the UK, and especially in Wales with the recent news that the UK Government is in the process of buying the Wylfa site from Hitachi.

The Report sets out two main conclusions with which I agree. **Conclusion 1** states that an urgent decision is required on the futures of both Wylfa and Trawsfynydd to help create the right environment for business confidence while **Conclusion 2** is that the nuclear sector offers the potential for Wales to accrue significant socio-economic benefits from proposed nuclear investment but that the lack of clarity is hindering collective efforts to adequately prepare the workforce in terms of skills and training development.

Without strong indicators that either or both the Wylfa and Trawsfynydd sites will be supported, it is difficult for the public sector (Welsh Government, local Councils, further education training providers) to gauge the necessary resources required to support the sector. It is similarly challenging for the supply chain (actual and potential) to determine their current level of buy-in and how much time and resource they are willing to commit.

I am also pleased to see the Committee's recommendations are in line with our current and future plans. As far back as 2014, we commissioned Miller Associates to review the capability of the Welsh supply chain<sup>1</sup> to respond to opportunities associated with the nuclear sector at the time and they concluded that over 11,000 businesses had some capability to contribute to a new build programme. Supporting businesses to access appropriate opportunities in decommissioning work and new build projects (Hinkley Point C and Wylfa Newydd) has been the basis of the subsequent Welsh Government approach and work is currently underway to review the health of the current supply chain that will assist future planning.

To fully realise this potential however, developers require degrees of certainty to make their investment decisions. With project delivery time lines that are exceptionally long, there is a need for policy clarity and consistency over time. This has arguably been lacking and along with the UK Government's inability to provide adequate financial support to emerging projects over the past 15 years, it has been difficult for private sector-led projects to reach the final investment decision stage - NuGen's Moorside and Horizon Nuclear Power's Wylfa Newydd projects attest to these difficulties. The UK Government must address the issue of insufficient financial support and lack of long-term policy consistency to generate the necessary long-term confidence that is required to deliver complex infrastructure projects such as nuclear power plants.

I set out my responses to the Report's individual recommendations below.

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<sup>1</sup> Nuclear Capability in Wales (2014), Miller Associates

## Detailed Responses to the report's recommendations:

### Recommendation 1

The Committee recommends that: -

***Given the urgent need for certainty in Wales about future nuclear development, the Committee would welcome the UK Government setting out when it will confirm the designated sites for future nuclear projects, the kinds of technology to be deployed, and the timeframes for implementation.***

#### Response: Accept

Commitment to a project timetable for new nuclear in north Wales is something that we have been seeking from the UK Government since the cancellation of the Wylfa Newydd project in 2020. The lack of clarity around how, if and when any new project is to be brought forward at Wylfa has impacted significantly on our ability to plan for any new project and commit to preparing any support packages (e.g. supply chain development, training and skills etc.). It also affects the perception of nuclear deliverability locally which has the potential to negatively impact on any future project's social license to operate.

We have a core of companies in Wales that have been committed to the nuclear sector for some time and have demonstrated capability and capacity in new build on the Hinkley Point C project<sup>2</sup>. We believe however, that the Welsh supply chain has the potential to contribute far more to the UK nuclear agenda but needs to see clear commitment to new projects – effectively sites and technologies – to have confidence that there will be a return on investment for its efforts. Clear UK Government commitment to projects in Wales would reinforce the interest of those already engaged in the sector and stimulate new interest from those that are as yet uninvolved. Our experience with Horizon Nuclear Power's Wylfa Newydd project was that it took a long time to convince the broader supply chain that the project presented genuine opportunities and that their participation in the project's supply chain development work was a worthwhile investment.

The recent announcement that UK Government has reached an agreement with Hitachi for the purchase of the Wylfa site is a welcome step in the right direction, but the site's purchase alone is not enough. Clarity is required on how a project is to now be brought forward (by who, using what technology, by when etc.) before the wider supply chain can be persuaded to re-engage.

**Financial Implications** – None immediately. The initial onus is on UK Government/Great British Nuclear (GBN) to determine the nature and scale of any new project in Wales and to fund the development stages. Once we have clarity and a timetable for progress, we can determine our programme(s) of support and when to implement.

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<sup>2</sup> HPC Report - Socio-economic Impact Report 2022 – see page 15  
[od15364\\_hpc\\_socio\\_economic\\_brochure\\_2022- final. 25.04.22.pdf \(edfenergy.com\)](https://www.edfenergy.com/od15364_hpc_socio_economic_brochure_2022-final_25.04.22.pdf)

## **Recommendation 2**

The Committee recommends that: -

***The Welsh Government should set out how it will work with the UK Government and its partners in Wales on local workforce planning for new nuclear projects in north Wales, to support local businesses and the Welsh supply chain.***

**Response: Accept.**

We are always prepared to work with UK Government and its partners on projects of mutual interest to ensure a pragmatic working relationship that delivers the best socio-economic outputs for the people of Wales.

We previously for example, worked with the Nuclear Advanced Manufacturing Research Centre on their *Fit4Nuclear* supply chain development programme and funded access for Welsh companies to the programme. We also provided the further education sector with significant support for new training facilities at Coleg Menai in Llangefni that are now able to offer courses in Engineering, Fabrication and Welding, Mechanical Engineering and Power Engineering – all with relevance to nuclear and the wider energy sector.

The Welsh Government's direct approach to any new project proposal would in principle, be similar to the approach adopted for Horizon Nuclear Power's Wylfa Newydd project where an internal Wylfa Newydd Programme was established with the aim of maximising the socio-economic benefits for North Wales. A number of workstreams were established to focus on skills development and supply chain support as well as on other key areas of interest identified through the Development Consent Order (DCO) process.

As with the response to Recommendation 1, we need significantly more information on what proposals there are for the site before we can begin to detail our approach to project and workforce planning.

**Financial Implications** – None immediately. If a new project is brought forward at Wylfa then Welsh Government will support the Welsh supply chain to gain maximum benefits from the investment and new resources will need to be allocated. Around £750k was spent to support programmes like Fit4Nuclear in Wales between 2015 and 2019. Similarly, Welsh Government will co-ordinate the response to skills and training and help fund the provision.

## **Recommendation 3**

The Committee recommends that:

***The Welsh Government should set out how it will work with local authority partners and others to specifically address the housing needs and pressures associated with a new nuclear development, and keep the Committee updated once more is known about the UK Government's strategy and plans.***

**Response: Accept**

An approach to co-operation with local authority partners and others was also tested during the operational period of the Wylfa Newydd Programme. A Housing and Accommodation workstream, consisting of relevant housing organisations (along with Ynys Môn and Gwynedd Councils) worked to address key matters identified from Horizon's proposals as requiring attention through the DCO process.

Should a new Wylfa project be forthcoming, a similar approach will be suggested with partners to optimise how we jointly address housing and accommodation pressures which inevitably arise from the development of large infrastructure projects in relatively peripheral economic and geographical areas. The scale of the intervention required will depend on the scale of the proposals.

**Financial Implications** – None at this time. In due course, if and when housing and accommodation issues are identified, we will work with local partners and the project developer to foster appropriate solutions and seek maximum mitigation to minimise the cost to the Welsh public purse.

#### **Recommendation 4**

The Committee recommends that: -

***The Welsh Government should set out its plans to work with partners in north Wales to manage local expectations and support community support and engagement with future nuclear energy development plans.***

#### **Response – Accept in Principle**

Let's be clear - the development and implementation of nuclear policy are not devolved matters and it is primarily the UK Government's responsibility to progress new nuclear projects and appropriately manage host community expectations. Nevertheless, Welsh Government has taken the view that new nuclear projects present opportunities for transformational change and has always sought to play its part in helping projects to progress. Within this context, we have always striven to: -

- i) Provide leadership as well as support for community engagement where key opportunities are identified; and
- ii) Encourage preparative action by local and regional partners - including supply chain businesses and skills development - that is realistic and proportionate within the context of a project's development stage.

#### ***i) Leadership and Support for Community Engagement***

Welsh Government has over the years been proactive in attempting to unlock the potential of some projects where no action was being taken at the UK level. We established Cwmni Egin in 2021 to pursue small modular reactor (SMR) deployment at Trawsfynydd following the identification of the initial opportunity by the Snowdonia

Enterprise Zone team and the subsequent recognition of the potential more widely<sup>3,4</sup>. Cwmni Eginio has over the past 3 years been successful in raising the profile of the Trawsfynydd opportunity and has undertaken significant work to prepare the site for investment, working in tandem with local stakeholders.

Over the past 12 months however, the creation of GBN as a UKG construct to develop its own SMR agenda has presented Cwmni Eginio, and by extension Welsh Government, with a number of challenges. We are currently seeking clarity from GBN and its sponsors within UKG as to what role Cwmni Eginio can play in an evolving policy and delivery landscape within which GBN has a development remit primacy.

Once the purchase of the Wylfa site is completed, GBN is expected to focus its attention on Wylfa rather than on Trawsfynydd as a number of witnesses attested in their evidence to the Committee. If this is confirmed and there is no GBN support for SMRs at Trawsfynydd in the near future, we very much hope that Cwmni Eginio will be enabled to work with GBN to bring a new project forward at Wylfa while maintaining a developmental role at Trawsfynydd, continuing to work with key stakeholders on the potential for advanced/research reactor and/or medical radionuclide reactor deployment in future.

## ***ii) Encouraging Preparative and Proportionate Action***

The Welsh Government has always been pragmatic in its view of the nuclear sector's potential. We recognise that there are potentially significant benefits from being engaged in new projects and investing in the supply chain but also acknowledge that this needs to be balanced against the fact that there are no guarantees on a return from any investment until a project progresses beyond the final investment decision (FID) stage. Until that point, all investment - by both the public and private sectors (developers and their supply chains) - is undertaken at risk.

With Wylfa Newydd, we sought to encourage a pragmatic pre-FID approach to potential opportunities for the host community and the wider region as well as for the Welsh supply chain. Horizon was clear from the outset that most benefits would not be accrued until a post FID decision and stated that it intended to divide the supply chain into three key areas: -

- i) Most Nuclear Island (e.g. reactor pressure vessels) and some balance of plant components would be supplied direct from Japan, given the already proven supply capacity and capability of the Japanese supply chain in building the Hitachi-GE ABWR reactor;
- ii) Components, products and services that would likely be supplied from Japan initially, but which could in time be supplied by the UK/Welsh supply chain - if quality could be demonstrated and pricing was competitive;
- iii) Local services and products – available in the first instance for the Welsh supply chain to source.

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<sup>3</sup> [Small Modular Reactors: A UK Opportunity \(imeche.org\)](http://imeche.org)

<sup>4</sup> [The future of nuclear power in Wales: Government response to the Committee's Second Report of Session 2016-17 \(parliament.uk\)](http://parliament.uk)

Our approach was to work with the Welsh supply chain to maximise the value gained from area iii) and to work with both Horizon and the supply chain to identify areas in area ii) where the Welsh supply chain is already strong and has with assistance, the potential to become genuinely competitive.

We will likely adopt similar approaches to working with partners on any new projects brought forward in North Wales in future.

**Financial Implications** – Unknown at present. If Cwmni Eginio is to have a role in future working with GBN, GBN will need to shoulder most of the financial responsibility for the company beyond the 2024/25 financial year.

## **Recommendation 5**

The Committee recommends that: -

***The Welsh Government should update the Committee on its involvement in the UK Government’s Nuclear Skills Taskforce and what actions it is taking to recognise and address potential barriers to scaling up skills for the nuclear sector.***

### **Response: Accept**

The scale of the nuclear workforce challenge is significant. The nuclear sector has a current shortfall of 9,400 people but it needs to grow from 83,000 to 123,000 by 2030 to service and support the expected demand. Around 35% of the nuclear workforce is over the age of 50 today and based on current attrition rates, there will be a need to recruit 135,000 new skilled employees into the sector by 2030. Further exacerbating this challenge is the fact that apprenticeship uptake has been in decline for the past 5 years and that 43% of vacancies in STEM roles have a shortage of applicants with the required skills. Recruitment to STEM degrees has stalled over the past 20 years and most UK STEM graduates never work in highly skilled STEM jobs.

A new Nuclear Skills Taskforce<sup>5</sup> consisting of UK Government officials (Ministry of Defence and the Departments of Education and Energy Security and Net Zero), academics and industry partners and chaired by Sir Simon Bollum (former Chief Executive Officer of Defence Equipment and Support) was established in August 2023 to tackle the challenges highlighted above and assist the UK’s defence and civil nuclear sectors to have the right people with the right skills to take advantage of future growth opportunities.

The Welsh Government was not invited to participate, and we have had no formal engagement with the taskforce to date. My officials are however in contact with some Taskforce members, and we understand that the Taskforce’s Report when published is likely to make recommendations on a range of skills requirements that are generic to the defence and nuclear sectors as a whole, rather than specific to any project or projects.

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<sup>5</sup> [Nuclear Skills Taskforce - List of Members - March 2024.docx](#)

If Wales is to contribute to addressing the broader UK nuclear skills deficit, it will be necessary to understand whether there is an identifiable and quantifiable Welsh skills target to address, what the cost of funding skills development and apprenticeship programmes may be to Welsh Government and what socio-economic benefits will there be to the Welsh economy from doing so.

Addressing the skill requirements of individual projects may be simpler (relatively) to quantify, but given their potential scale, the task should not be underestimated. How many and what type of skills will be required by Wales will be firmed up as technology and location are finalised.

When Hitachi's Wylfa Newydd project was live, the Welsh Government established an Education and Skills Group, focused on dealing with training and skills provision as part of the internal, cross departmental Wylfa Newydd Programme to respond to the numerous challenges arising from the project.

While the purchase of the Wylfa (and Oldbury) site is a step in the right direction, we have not yet reached the stage in the evolution of any new Wylfa project where we have any understanding (beyond some crude comparisons with Horizon's Wylfa Newydd project) of its nature or structure, who will be leading it or what technology will it deploy. In the absence of any firm information on these issues, specific interventions cannot yet be meaningfully planned.

We look forward to the publication of the Taskforce's Report in due course and to consider how we respond to any of its recommendations that resonate with our circumstances in Wales.

**Financial Implications** – None yet but as with the responses to previous recommendations, if a new Wylfa project is brought forward, it will be primarily the Welsh Government's responsibility to fund non-project specific training and skills development provision.

## **Recommendation 6**

The Committee recommends that:

***When there is an announcement from the UK Government on the future strategic direction and programme for new nuclear, the Welsh Government should set out how it will work with the education and skills sector, Chief Regional Officers, Joint Corporate Committees and partners across the whole of Wales to drive the necessary pace of change to deliver maximum socio-economic benefits.***

## **Response: Accept**

We will do this at the right time. The key will be ensuring that all partners understand the opportunities that new nuclear project at scale represent and buy into a team ethos to ensure a co-ordinated approach.

Such co-ordinated approaches have the advantage of pooling financial resources and manpower as well as enabling cross regional solutions to be developed for challenges that may be too difficult to address and solve at a local or single agency level. We will encourage and work with local and regional partners to explore opportunities that may lead to the establishment of added-value, regional projects.

An example of a successful regional approach that has benefitted from nuclear is the Somerset Larder<sup>6</sup> project in Somerset. Somerset Larder was established in 2014 to bring together the county's food and drink producers to work together in order to compete for large catering contracts at the Hinkley Point C nuclear new build project. The Larder has been immensely successful - it has seen rapid growth and is now operating four restaurants and four coffee shops led by a 300 strong team within the 400-acre site. In 2021, it was estimated that the company contributed £20m annually to the local economy. A similar venture was being explored across North West Wales prior to Wylfa Newydd's cancellation – a new project at Wylfa could be the catalyst to revive this and other such collaborative approaches.

**Financial Implications** – None at this time.

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<sup>6</sup> [Somerset Larder – nourishing the community](#)