

Written response by the Welsh Government to the report of the Climate Change, Environment and Infrastructure Committee entitled Renewable Energy in Wales

Recommendation 1

The Committee recommends that

The Welsh Government should explain the reasons for the slow down in renewable energy development since 2015, and how the recommendations from the Deep Dive will address this.

Response: Accept

The UK Government's approach to the Contract for Difference regime for onshore wind and solar developments, which denied developers the security that supported them to access development capital or investment decisions, was the main reason for the reduction in the pace of development. The end of the Feed-in-Tariff scheme equally significantly impacted the financial viability to take forward smaller scale developments, more suited to non-commercial developers looking to implement local solutions to energy use.

Specifically within Wales, the lengthy combined public inquiry, and subsequent delayed decision, around five onshore wind farms and an associated overhead power line in mid-Wales, also had a significant impact on the project pipeline.

A number of the barriers and constraints have changed over the period from 2015. Onshore wind and solar PV are now the cheapest form of renewable energy generation, while ringfenced support through the Contract for Difference (CfD) process is now required to bring forward wave and tidal energy projects. The viability of new small scale hydropower projects continues to be impacted by the decision on the Feed-in-Tariff. While there has been further devolution of energy consents, our position is that there should be full devolution with no upper limit, including decisions over the power lines.

The Deep Dive into renewable energy focussed on interrogating the current barriers and opportunities for accelerating renewable energy generation. Grid constraints and consenting arrangements were the primary barriers identified by project developers as the main constraint to deployment at scale. The Welsh Future Energy Grid for Net Zero project and our energy planning work will provide further evidence on the grid we need for Wales as we work with, and influence, Ofgem to support investment in the grid and support for innovative solutions. Our suite of interventions seek to address the process, resources and supporting evidence required to make timely consenting decisions.

However, there is little value in boosting deployment for Wales to become a net exporter of renewable energy if we do not realise any benefit from the developments. Therefore, a significant number of the recommendations address specific barriers to ensure our citizens, communities, public sector and businesses can play an active part in building the energy system of the future through shared and local ownership and the development of strong, local supply chains.

Financial Implications – None

Recommendation 2

The Committee recommends that

The Welsh Government should publish a detailed action plan setting out how it intends to take forward each of the Deep Dive’s recommendations, including a timeline for implementation. It should report back to the Committee on progress towards implementation of recommendations in its response to this report, and commit to progress reports every six months thereafter.

Response: Accept

The Deep Dive recommendations include short-, medium- and long-term actions. Three of the recommendations are confirmed as scheduled for completion in 2022: the review of consenting and supporting evidence and advice (recommendation 7); the guidance on shared ownership (recommendation 17); and the development of a net zero skills action plan (recommendation 19). The identification of marine strategic resource areas (recommendation 8) is due to be completed in 2023; and the energy plan for Wales 2024 (recommendation 2).

Others are part of longer-term plans and some, such as recommendation 10, will be completed this year but will themselves result in further actions.

Good progress has been made across a range of recommendations, while there remain significant challenges in other areas as we look to address deep rooted barriers. The following provides a summary by theme.

The initial recommendations on **Strategy (recommendations 1-4)** are all progressing forward with recent completed milestones including:

- the appointment of Energy Systems Catapult to lead the implementation of our Local Area Energy Plans (LAEPs);
- the publication of our [Stakeholder Engagement plan](#) to support wider Net Zero engagement and behaviour change;
- the upcoming appoint of an independent expert to assist us in develop our Heat Strategy;
- the ongoing work to develop the next iteration of our Warm Homes Programme; and
- consultation planned for later this year on our review of renewable energy targets, as committed in Net Zero Wales.

While the **Grid (recommendations 5-6)** is an area where we expect progress to take some time due to the complexity of the issues in play presenting some challenges, we are seeing some progress as we engage with Ofgem in planning for a net zero grid, including through our [Future Energy Grid Project](#). We continue to work with deep dive members to refine the scope of a Wales Energy Systems Architect and the options the Systems Architect will have to engage Ofgem with our vision for **Innovation (21)**.

The recommendations on **Consenting & Licensing (7-9)** are making steady progress with ongoing discussion between Welsh Government and Natural Resources Wales (NRW) to resolve resourcing issues, particularly for their Offshore Renewable Energy Programme (OREP) which has now secured appropriate funding, but wider discussions around resourcing and alignment continue. Meanwhile, the mapping of marine Strategic Resource Areas continues as planned with outputs expected in October and NRW should shortly produce options for the Welsh Government to consider regarding offshore advisory powers. We have stated our ambition to see the Crown Estate devolved and as we progress the case we are continuing to work closely with The Crown Estate to shape the supply chain requirements for future leasing rounds in the Celtic Sea.

The recommendations on **Finance (10-13)** have largely been led by our Investment in Renewables subgroup, and its findings will be considered by the Deputy Minister for Climate Change over the summer. The CfD process for the next auction contains a ringfenced pot for wave and tidal projects (recommendation 11b). Due to a risk of legal action by the European Union, we are focussing on Crown Estate seabed leasing rounds to secure local supply chain benefits (recommendation 11a). We continue to consider options for supporting investment in renewable energy through the Non-Domestic Rates system and we are disseminating best practice on procurement and ongoing support for projects through the Welsh Government Energy Service (WGES) and Community Energy Wales (CEW).

The recommendations on **Community & Local Energy (14-17)** are all progressing with a number of key highlights as noted below:

- We have published our [Guidance on Shared Ownership](#) as an important tool to incentivise and support the development of locally-owned community renewables.
- Welsh Ministers have agreed a four-fold increase in funding for CEW for the next 3 financial years, as well as additional resourcing to the Welsh Government Energy Service (WGES) to support community renewables.
- The Renewable Energy Developer (RED) interim board has been established, including the appointment of a permanent non-executive director to represent the interests of community energy.

We continue to make progress on the recommendations on **Economy & Social Value (18-20)**. We are working with the port operators in Wales to assess the funds required to support port and marine infrastructure, and are exploring potential sources of funding including those available from the UK government. Our Net Zero Skills Action Plan was not published in line with original timescales due to resource constraints. However, it is set to be published later this year and officials are actively gathering evidence on the baseline of skills required to reach net zero. Plans for industrial clusters to adopt renewable energy on the rooftop space and land will be supported by the newly established [Net Zero Industry Wales](#) as part of the Cluster Plan outputs.

The Deep Dive Implementation Steering Group continue to consider, advise and inform the Deputy Minister on Climate Change on progress. Bi-monthly meetings include regular updates on overall progress, detailed discussions on specific policy areas and a forum to challenge our approach.

In order to report publicly on the implementation of recommendations, we will publish a full review of progress and action plan with key milestones in the Autumn. We will follow up initially every six months thereafter, but will keep the frequency under review as implementation progresses.

Financial Implications - None

Recommendation 3

The Committee recommends that

The Welsh Government must commit to an ambition that Wales becomes a net exporter of renewable energy. It should set out how it will achieve that ambition. More stretching renewable energy targets should be developed to underpin its delivery.

Response: Accept

The Deep Dive vision "...to generate renewable energy to at least fully meet our energy needs..." is consistent with this commitment.

As noted by the committee, Net Zero Wales commits us to consulting on our renewable energy targets by the end of 2022. We intend on hosting a scoping workshop in the summer of 2022, which will provide key stakeholders an opportunity to early and supply evidence to inform our thinking. A review of the available evidence to support the targets will provide further insights. We expect this evidence to be available by autumn 2022. A full consultation process will ensure that the targets the Welsh Government set are appropriately stretching and take account of a range of benefits, risks and tensions - for instance, the availability of land to deliver against multiple policy outcomes.

Financial Implications: No additional implications (budget allocation has been agreed for this work in MA-JJ-1237-22).

Recommendation 4

The Committee recommends that

The Welsh Government's latest report on progress towards its renewable energy targets was published over two years ago. The Welsh Government must publish its next report as a matter of priority.

Response: Accept

The latest Energy Generation in Wales [report](#), covering progress in 2020 towards Wales' renewable energy targets, was published on 30 June 2022 alongside our Energy Use in Wales Second Edition. The next iteration of Energy Generation in Wales, covering progress in 2021, will be published before the end of 2022.

Financial Implications - Funding already agreed for our Energy Generation in Wales and Energy Use in Wales reports.

Recommendation 5

The Committee recommends that

The Welsh Government should set out in detail the action it is taking, and plans to take, to ensure Wales' current and future grid infrastructure requirements are met. It should also provide an update on its Future Energy Grid Project.

Response: Accept

The responsibility for ensuring the Great Britain energy system has appropriate infrastructure lies with the UK Government, who retain control over the regulatory regime governing the gas and electricity grids and access to funding. However, the Welsh Government agrees that this regime has not met Wales' needs and the Minister for Climate Change announced in September 2021 the actions we are taking to establish what networks Wales needs in future.

In December 2021, the Welsh Government appointed the Energy Systems Catapult (ESC) to support the [Future Energy Grids for Wales](#) project. This work involves all the companies who own and operate networks in Wales and Ofgem. It will develop scenarios of the various paths Wales could take to decarbonise the energy system and provide insight into the implications of these scenarios for the grid networks in Wales. The output will be an action plan setting out actions for networks, Ofgem, Welsh Government and UK Government to enable optimal, long-term whole system network planning and operation.

We held a webinar on what is currently a technical piece of work on 29 June attended by a wide range of organisations. The content from this webinar will be available through the ESC website. We will continue to provide updates on the work as we reach important milestones.

Financial Implications – Funding for the ESC is already agreed

Recommendation 6

The Committee recommends that

The Welsh Government should provide further details on how it intends to engage the UK Government and Ofgem to ensure:

- Wales' current and future grid infrastructure requirements are fully understood and met, and
- investment decisions are made in a way that delivers a just transition.

Response: Accept

Ministers have led discussions with Ofgem about their role in recognising and meeting our network needs, and the Chair of GEMA, Ofgem's Board, has taken on the role of championing Wales' interests.

We have worked with network operators as they developed their plans for the next five years, to ensure they are tackling the issues in Wales and are planning to upgrade networks across the country. We are scrutinising the way Ofgem has responded to these plans and will continue to make sure that an appropriate balance is struck between building new infrastructure and keeping the impacts on bills as low as possible. We continue to challenge the UK Government to reconsider how the costs of decarbonising the energy system are met, particularly given the recent increases in energy costs.

The Action Plan produced by the Future Grids for Wales project will identify actions for networks, Ofgem, Welsh Government and UK Government and will form the basis for future work in this area.

Financial Implications – Funding for Catapult already agreed

Recommendation 7

The Committee recommends that

The Welsh Government should seek urgent discussions on the lack of grid capacity in Wales at the next Interministerial Group for Net Zero, Energy and Climate Change. In line with the Inter-Institutional Relations Agreement, it should report back to the Committee on the outcome of those discussions.

Response: Accept in principle

The Welsh Government is concerned by the view emerging from the House of Commons Welsh Affairs Select Committee that the UK Government is broadly unsighted on the issues in Wales regarding access to the grid. The Minister for Climate Change was very clear in her evidence to the Committee that these issues are of long standing and are a direct hindrance to both achieving net zero and prosperity in Wales.

Subsequently, the Minister for Climate Change took the opportunity to raise the issue with UK Ministers at a meeting on 29 June regarding the offshore and onshore grid infrastructure required across Great Britain to support increased aspirations around renewable energy, including offshore wind. At the meeting, the Minister for Climate Change stressed the need for infrastructure to improve connectivity in mid Wales and support decarbonisation in rural areas, as well as supporting new generation. However, she also stressed that it must be managed in a way that people feel acceptable and that local communities must receive a tangible and recognisable benefit from the infrastructure.

The Inter-Ministerial Group is a quadrilateral discussion with Ministers from all UK governments and does not offer the most appropriate forum for sufficiently detailed conversations around issues specific to Wales. Welsh Ministers will, however, continue to use bilateral meetings to discuss this issue with UK Ministers and we will report on progress.

Financial Implications - None

Recommendation 8

The Committee recommends that

The Welsh Government should clarify whether and how it intends to progress its proposal for a Wales Energy System Architect, reflecting on Ofgem's evidence to this Committee

Response: Accept

This is a complex area, particularly with a number of relevant initiatives already under way, such as the proposal for a Future Systems Operator (FSO) to be spun out from the existing Energy System Operator (ESO) and the ongoing discussions about the relative roles of these bodies and the Distribution Network Operators (DNOs) and the need for Distribution System Operators (DSOs), led by the Energy Networks Association. Ofgem has also recently published a [Call for Evidence](#) on the future of local energy systems and governance.

Welsh Government has convened a small group of members of the Deep Dive with a specialism in grid to clarify and progress the proposal for a Wales Energy System Architect. The group will analyse the potential rationale and aim for an Architect and provide the definition and timeframe to allow Welsh Government to progress this recommendation. Ofgem's evidence to this Committee will inform the discussion. Welsh Government will publish the output from this group which will inform next steps.

Financial Implications – None at this stage

Recommendation 9

The Committee recommends that

If the Welsh Government is to achieve its ambition for renewables, it must ensure the resource needs of key delivery partners, including local planning authorities, are fully met. The Welsh Government must explore options to ensure local planning authorities are fully resourced to meet current and future demand on services arising from the growth in the renewable energy sector.

Response: Accept

The Deep Dive recommended that Welsh Government undertake a review of consenting and supporting evidence and advice, to ensure a timely and proportionate process. We have been working with key stakeholders to ensure that this recommendation is delivered.

NRW are required to ensure they are able to discharge their statutory and non-statutory duties within their funding envelope, including Grant in Aid and their charging regime. We encourage the setting of appropriate levels of charges to cover the relevant regulatory activities and to allocate their Grant in Aid to deliver against agreed priorities.

We have provided additional resource for regions to carry out local energy planning, which will provide a strong evidence base for local and regional development plans. The evidence will provide better visibility of the requirement for capacity to enable new developments.

Financial Implications – None

Recommendation 10

The Committee recommends that

The Welsh Government should provide an update on the development of legislative proposals for its Welsh Infrastructure Consenting Bill, including an indicative timeline for the introduction the Bill.

Response: Accept

The Welsh Government will provide an update to the Committee on the legislative proposals for its Welsh Infrastructure Consenting Bill as the project develops.

Financial Implications - None

Recommendation 11

The Committee recommends that

The Welsh Government should explain what steps it will take to “streamline the process for developing the Celtic Sea renewable energy projects” as set out in the Deep Dive’s recommendations.

Response: Accept

We have commissioned an end-to-end review of NRW’s marine licensing, consenting and supporting advisory processes to remove barriers, drawing on the work of existing groups. This work will provide a number of the solutions to streamlining the process for developing renewable energy projects at sea.

Welsh Ministers have met with the Crown Estate to discuss their operations in Wales, and their intentions regarding the Celtic Sea. We are encouraged that the Crown Estate has highlighting the areas of greatest potential for floating offshore wind deployment in the Celtic Sea ahead of round 4, providing greater certainty for developers. Furthermore, the indication that the Celtic Sea has the economic potential to accommodate up to an additional 20GW of floating offshore wind capacity by 2045 improves the case for investing in our ports and supply chains.

Welsh Government are also involved in discussions with the UK Department for Environment, Farming and Rural Affairs on the UK Government’s proposals for the Habitats Regulations Assessment process outlined in their Energy Security Strategy, and the implications this might have for Wales if we adopted the same proposals.

Financial Implications - None

Recommendation 12

The Committee recommends that

The Welsh Government’s guidance on shared ownership must clearly set out its expectation for commercial developers to offer shared ownership as an option for all new projects, including those currently in the pipeline, and for existing developments when they are repowered or extended.

Response: Accept

The Welsh Government has already published a clear policy statement on our support for shared ownership, with the requirement that all new developments should include at least an element of local ownership from 2020. We deliberately did not place a figure on this proportion: on the one hand, this could limit the opportunities for high levels of local ownership in some cases, and on the other we are aware that securing a large proportion of local ownership to some projects may be more challenging.

The Welsh Government published its guidance on shared ownership in June 2022. The guidance sets out our expectations of commercial developers when developing new renewable developments.

Financial Implications - None

Recommendation 13

The Committee recommends that

The Welsh Government must set out how it is using the levers it has at its disposal to encourage and incentivise shared ownership.

Response: Accept

The Welsh Government published its guidance on shared ownership in June 2022. This guidance forms part of a package of support to encourage and incentivise shared ownership alongside our Welsh Government Energy Service and funding for Community Energy Wales.

We intend to monitor the uptake of our shared and local ownership aspirations for energy projects and publish our findings in future Energy Generation in Wales reports. We will also highlight emerging case studies that demonstrate good practices and embrace our policy ambitions.

We have provided additional funding to the Welsh Government Energy Service to introduce two new categories of grant within our Local Energy Grant scheme to support shared and local ownership:

- a resource grant to increase capacity and capability within community energy enterprises;
- a shared ownership grant to support community energy enterprises looking to invest in a renewable energy project being developed commercially.

This support should help to develop communities' capacity to be effective partners in negotiations with large commercial developers.

The Welsh Government has provided a significant increase in funding for Community Energy Wales' 3-year business plan (2022-25), which will enable them to scale up support for community and local energy in Wales. This will include further support for taking a share in commercial developments on behalf of communities.

Financial Implications - Funding already agreed for WGES, CEW and our Energy Generation in Wales and Energy Use in Wales reports.

Recommendation 14

The Committee recommends that

The Welsh Government should set out its position on the use of all public land (including local authority and local health board owned land) for renewable energy developments and explain how it is working with the public sector to identify publicly owned sites suitable for potential projects.

Response: Accept

The Welsh Government is considering opportunities for renewable energy across the Welsh Government woodland estate as part of our development of a publicly owned renewable developer. We will provide an update to the Committee on this work as part of our update on the renewable energy developer.

We are also reviewing our other assets and land for renewable energy potential in support of our commitment to a net zero Public Sector by 2030.

The WGES has worked with public bodies over a number of years to identify suitable public land for renewable energy developments, and is now supporting organisations to bring forward a pipeline of projects. The opportunities are primarily within the local authorities' estates, as they are the organisations with the largest land holdings.

Financial Implications – None as yet

Recommendation 15

The Committee recommends that

The Welsh Government should commit to exploring whether and how the public estate can be better utilised to support the growth of the renewable energy sector, including shared ownership developments.

Response: Accept

The Welsh Government Energy Service has been supporting public bodies to assess the potential for renewables on their land, particularly where it can meet local needs and reduce energy costs to free up funding for delivering services. We have also encouraged collaborations such as the Egni Cooperative working with Newport Council on solar rooftop roll-out. How we can more effectively use the public estate will be considered as we roll out a proactive approach to future energy needs in the local area energy planning process we are supporting at local authority level.

As an example of how the public sector is better supporting the renewable energy sector, a former landfill site is home to Cardiff City Council's new 9MW solar farm. The site's average annual generation is equivalent to around 20% of the Council's total electricity consumption (2019/20 baseline). The majority of this is being delivered via a direct wire to help decarbonise energy demands at the local wastewater treatment works, with surplus generation sold to the National Grid.

Overall, this development is estimated to save around 1,150 tonnes of CO2 each year and provide the council with a net benefit of more than £20m over the lifetime of the development, based on cost savings and income generated.

Financial Implications – Funding for WGES already agreed

Recommendation 16

The Committee recommends that

The Welsh Government must set out how it intends to ensure that local communities are supported and empowered to secure ‘community benefits’ from commercial developments where shared ownership is not considered a favourable option. It must also set out its position on mandating an appropriate level for Community Benefit Funds, including options for achieving this.

Response: Accept

The Welsh Government already provides direct support to our local communities through our funding arrangements for Community Energy Wales, who help to empower local communities to secure acceptable community benefits when shared ownership is not possible. Our Welsh Government Energy Service also advises local communities and project leaders on solutions to maximise benefits for the local community.

In our guidance on local and shared ownership of energy projects, we are not overly prescriptive as to the appropriate level of Community Benefit Funds as we welcome creative and innovative approaches to meeting the needs of each local community. We will be considering this matter further as projects come forward.

We recognise that different levels of community benefits risks competitiveness issues for developers bidding to the UK Government for CfDs. Bidding is highly competitive and, consequently, developers are naturally inclined to limit their community benefits offering to secure a contract. It may, therefore, be appropriate for the UK Government to set a minimum expected level of community benefit for all projects applying to each CfD pot.

Financial Implications – Funding already agreed for CEW and WGES

Recommendation 17

The Committee recommends that

The Welsh Government must provide an update on progress towards the development of proposals for Ynni Cymru, including how it will complement the work of the commercial sector, the Welsh Government's Energy Service and other Welsh Government funded organisations whose purpose is to support community and public sector projects.

Response: Accept

The Welsh Government will provide an update on the implementation of the Cooperation Agreement commitment to work towards setting up Ynni Cymru in due course. The scope of the commitment is to support an increase in community energy and is intended to be in addition to existing delivery mechanisms.

Financial Implications – None as yet

Julie James MS

Minister for Climate Change