

# Renewable energy in Wales

May 2022



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# Renewable energy in Wales

May 2022



# About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:  
**[www.senedd.wales/SeneddClimate](http://www.senedd.wales/SeneddClimate)**

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Current Committee membership:



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Plaid Cymru



**Janet Finch-Saunders MS**  
Welsh Conservatives



**Huw Irranca-Davies MS**  
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**Delyth Jewell MS**  
Plaid Cymru



**Jenny Rathbone MS**  
Welsh Labour



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# Contents

<b>Chair’s foreword .....</b>	<b>5</b>
<b>Recommendation .....</b>	<b>6</b>
<b>Introduction .....</b>	<b>9</b>
<b>1. Strategy and targets.....</b>	<b>10</b>
Energy policy in Wales.....	10
Renewable energy targets.....	10
The Welsh Government’s Deep Dive into renewable energy.....	10
How much progress has been made?.....	11
Our view.....	12
<b>2. The grid in Wales.....</b>	<b>14</b>
Welsh Government action to develop the grid in Wales.....	14
Lack of grid capacity is constraining renewable energy development.....	14
Cost of grid connection.....	15
The pathway to grid infrastructure investment.....	16
Ambitions for a Wales Energy System Architect.....	17
Our view.....	17
<b>3. Consenting and licensing.....</b>	<b>20</b>
Lack of capacity and resources for timely decisions.....	21
Particular challenges exist for marine energy developments.....	21
Lack of a robust marine evidence base.....	22
A new infrastructure consenting regime for Wales.....	23
Our view.....	23
<b>4. Opportunities to scale up community and local energy in Wales...26</b>	
Increasing ‘shared ownership’.....	26
Improving access to public land.....	27



Supportive public procurement practices .....28

The role of Ynni Cymru .....29

Community benefit arrangements .....30

Our view .....31

## Chair's foreword

As the global energy crisis deepens, domestic energy costs sky rocket, and the ticking of the climate catastrophe time bomb becomes ever more deafening, the case for rapid acceleration in renewable energy development has never been stronger.

Wales' geography and topography offer abundant opportunities for renewable energy development, both on land and offshore. If these opportunities are seized, Wales can go beyond meeting domestic energy need to become a world leader in renewable energy production, supplying clean, affordable energy across the UK and beyond.

But there are significant, long-standing barriers to development that must be addressed, and urgently, for Wales to unlock its full renewables potential. A lack of grid capacity and a complex and slow consenting regime, amongst other things, are holding back the work of developing a more sustainable energy future. If left unaddressed, there is a real risk Wales will fail to meet its climate change commitments – losing out on the social and economic benefits the renewable energy revolution offers.

Following on from the Welsh Government's Deep Dive, we expect to see targeted action and demonstrable progress towards delivery of more stretching renewable energy targets.

We are also determined that the growth in renewables we are calling for benefits communities across Wales. Our communities must not just 'have a say' in projects, they must be active stakeholders - reaping the benefits from the transition to renewables. We must not just have to accept developments within our communities, but be able to embrace them knowing they will contribute to a cleaner, more sustainable future for the next generation.

## Recommendation

**Recommendation 1.** 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.....Page 13

**Recommendation 2.** 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.....Page 13

**Recommendation 3.** 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.  
.....Page 13

**Recommendation 4.** 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.....Page 13

**Recommendation 5.** 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.....Page 18

**Recommendation 6.** 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. .... Page 18

**Recommendation 7.** 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. ....Page 18



**Recommendation 8.** 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. ....Page 19

**Recommendation 9.** 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. ....Page 24

**Recommendation 10.** 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. ....Page 24

**Recommendation 11.** 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.....Page 25

**Recommendation 12.** 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. ....Page 32

**Recommendation 13.** The Welsh Government must set out how it is using the levers it has at its disposal to encourage and incentivise shared ownership.....Page 32

**Recommendation 14.** 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.....Page 32

**Recommendation 15.** 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. ....Page 32

**Recommendation 16.** 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. .... Page 32

**Recommendation 17.** 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. .... Page 32

## Introduction

1. In setting its priorities for the Sixth Senedd, the Committee agreed to hold a one day inquiry into renewable energy in Wales, reflecting on the **outcome of the Welsh Government's Deep Dive into renewable energy**.
2. The Committee took oral evidence from a range of stakeholders at its meeting on **3 March 2022**. Written evidence submitted by stakeholders can be found on **Senedd Cymru's website**.
3. The Committee thanks all those who have contributed to its work.

# 1. Strategy and targets

## Energy policy in Wales

4. The Welsh Government's approach to energy policy is set out in ***Energy Wales: A low carbon transition*** (March 2012). This has been supplemented with various policy statements, including, ***Local ownership of energy generation in Wales – benefitting Wales today for future generations*** (February 2020).

## Renewable energy targets

5. The Welsh Government's renewable energy targets are as follows:

- Wales to generate 70% of its electricity consumption from renewable energy by 2030;
- 1 GW of renewable electricity and heat capacity in Wales to be locally owned<sup>1</sup> by 2030; and
- By 2020, new energy projects to have at least an element of local ownership.<sup>2</sup>

6. In 2019, an estimated 51% of Wales' electricity demand was met from Welsh renewable energy sources. There was 825MW of locally owned renewable energy capacity in Wales, 83% of the 1GW target.<sup>3</sup>

7. The Welsh Government has committed to review its renewable energy targets in the context of Wales' 2050 Net Zero target and to consult on its findings by the end of 2022.<sup>4</sup>

## The Welsh Government's Deep Dive into renewable energy

8. In October 2021, the Welsh Government **announced** it would be undertaking a Deep Dive into renewable energy to identify barriers to significantly scaling up renewable energy in Wales and steps to **overcome** them. The outcome of the Deep Dive, including a series of **recommendations**, was published in December 2021.

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<sup>1</sup> The Welsh Government defines 'locally owned' energy installations as those owned by an individual(s) or organisation wholly owned and based in Wales, or an organisation whose principal headquarters are located in Wales.

<sup>2</sup> The targets were originally announced in September 2017, but were amended in February 2020.

<sup>3</sup> **Energy generation in Wales 2019**, Welsh Government, October 2021

<sup>4</sup> **Net Zero Wales Carbon Budget 2 (2021 to 2025)**, Welsh Government, October 2022

**9.** In announcing the outcome of the Deep Dive, the Deputy Minister stated:

*"Our vision is clear, we want Wales to generate renewable energy to at least fully meet our energy needs and utilise surplus generation to tackle the nature and climate emergencies. We will accelerate actions to reduce energy demand and maximise local ownership retaining economic and social benefits in Wales."*<sup>5</sup>

**10.** Following the Deep Dive, the Welsh Government committed to scale up Local Area Energy Plans<sup>6</sup> to create a National Energy Plan by 2024, "mapping out future energy demand and supply for all parts of Wales to identify gaps to enable us to plan for a system that is flexible and smart - matching local renewable energy generation with energy demand".<sup>7</sup>

## How much progress has been made?

**11.** There were mixed views among contributors about the Welsh Government's renewable energy targets and its proposal to review them. The Institute of Welsh Affairs (IWA) and RenewablesUK Cymru said the current targets are well understood and questioned the need for change. IWA told the Committee "we need to focus much more on delivery rather than shifting the targets further".<sup>8</sup> RWE Renewables UK and EDF Renewables emphasised the importance of clear targets to provide certainty for developers to invest.

**12.** Several contributors raised concern that the current targets would not be achieved unless action is taken to address existing barriers to renewable energy development. Although they welcomed the Deep Dive as a positive step forward, they questioned whether the recommendations go far enough on certain issues, for example the grid.

**13.** Contributors supported the Welsh Government's aim to maximise local ownership but emphasised that further action is needed to scale up community and local energy development (see Chapter 4). However, RWE Renewables UK cautioned, "it is only through the rapid development of large scale renewable and low carbon energy projects that the ambitious targets to meet net zero will be achieved".<sup>9</sup>

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<sup>5</sup> Written Statement: Outcome of the Deep Dive into Renewable Energy, December 2021

<sup>6</sup> Local Area Energy Planning (LAEP) involves a detailed approach to identifying actions to decarbonise a local energy system. The LAEP process "aims to inform, shape and enable key aspects of the transition to a low carbon energy system, identifying what needs to happen, where and by when".

<sup>7</sup> Written Statement: Outcome of the Deep Dive into Renewable Energy, December 2021

<sup>8</sup> RoP, paragraph 33, 3 March 2022

<sup>9</sup> Written evidence, RE05 RWE Renewables UK

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**14.** Developers expressed the view that the Welsh Government's vision for renewable energy development was not sufficiently clear and lacked ambition. They suggested that focussing on matching local renewable energy generation with energy demand could constrain the growth of the sector, forfeiting considerable social and economic benefits. Developers emphasised Wales has huge potential for renewable energy generation and said the Welsh Government should articulate more clearly its ambition for Wales to become a net exporter of renewable energy.

## Our view

Although progress has been made, there has been a slow down in renewable energy development since 2015. As we enter a critical time in the fight against climate change, and as energy prices soar and concerns about energy security grow, the Welsh Government must urgently renew its focus on renewables.

The Welsh Government's Deep Dive is timely, and its recommendations have been well-received by stakeholders and industry. But, it only touches the surface of what is needed to significantly ramp up renewable energy development to stem the climate crisis and to enhance domestic energy security. The barriers to development identified by the Deep Dive, and by contributors to our inquiry, are not new, nor are the Welsh Government's promises of action to address them. The Welsh Government's 2012 energy strategy promised a range of actions to improve the planning and consenting process, and grid infrastructure in Wales, amongst other things. A decade later, the same promises are being made. Now is the time for the Welsh Government to deliver on its promises, and urgently.

The potential for renewable energy generation in Wales is substantial, with abundant opportunities for both onshore and offshore development. This means Wales is well-positioned to go beyond meeting domestic need to become a world leader in renewable energy production, supplying clean energy to other parts of the UK and beyond. We believe the Welsh Government needs to be clearer that its ambition is for Wales to be a net exporter of renewable energy.

The Welsh Government must set more stretching renewable energy targets. These targets must be matched with demonstrable action to accelerate development at the scale and pace required for Wales to meet its climate change commitments and to become a net exporter of renewable energy.



**Recommendation 1.** 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.

**Recommendation 2.** 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.

**Recommendation 3.** 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.

**Recommendation 4.** 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.

## 2. The grid in Wales

**15.** The grid refers to the network of powerlines, pylons and interconnectors that makes up the UK's electricity system. It is designed to ensure electricity generated anywhere, by any source, can be transmitted to meet the demand for power wherever it is needed. The grid consists of a high voltage transmission system that connects electricity from power stations to substations and smaller local networks. The smaller network operators, known as Distribution Network Operators (DNOs), transport electricity into homes and businesses. The transmission system is owned by the National Grid. In Wales, there are two DNOs - Western Power Distribution and SP Energy Networks. These are collectively referred to as 'energy network companies/operators'.

**16.** Investment in grid infrastructure by energy network companies is currently limited by the regulator, Ofgem, through five-yearly price controls (known as RII0).

### Welsh Government action to develop the grid in Wales

**17.** In September 2021, the **Welsh Government announced** it would be leading on a Future Energy Grid Project with Ofgem and energy network operators "to develop a long term plan for energy networks in Wales". The focus of the Project "will be to achieve a joint view of the likely future energy needs in Wales to 2050 and the steps to evolve networks to support them".

**18.** In announcing the outcome of the Deep Dive, the Welsh Government said "more action is needed to improve transparency on constraints and opportunities within the network and bring greater clarity and certainty on where strategic investment in the networks is needed".<sup>10</sup> It has committed to step up its engagement with Ofgem to set out Wales' investment needs, and establish a joint-working group to look at options for supporting new, flexible grid connections for renewables and energy storage solutions.

### Lack of grid capacity is constraining renewable energy development

**19.** Developers and Community Energy Wales highlighted insufficient grid capacity as a significant barrier to scaling up renewable energy generation and to achieving Wales' carbon emissions reduction targets. EDF Renewables raised concern that the Deep Dive recommendations "do not go far enough in addressing the significant barrier that grid poses for development". It added:

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<sup>10</sup> Written Statement: Outcome of the Deep Dive into Renewable Energy, December 2021

*"There can be no illusion: without necessary investment in new grid infrastructure, or plans to upgrade existing infrastructure in Wales in the short term, there will not be the development in renewable energy to meet the 2030 and 2050 targets, let alone a new 2035 target. Nor will development happen at the pace and scale required."*<sup>11</sup>

**20.** RWE Renewables UK said "the lack of availability of cost effective and timely grid connection throughout Wales, particularly in relation to onshore but also with increasing relevance to offshore, is a severe barrier not just to new renewable energy projects, but also to the ambitions to decarbonise the entire economy".<sup>12</sup> According to EDF Renewables, "the potential development in the Celtic Sea could greatly contribute to Wales' ambitions. But without the installation or reinforcement of grid, terminals in Wales could be overlooked in favour of England".<sup>13</sup>

**21.** Contributors explained that, although grid capacity is a problem throughout Wales, it is most acute in mid Wales. According to DNOs, this is because the electricity network was originally designed to supply low levels of local rural demand. SP Energy Networks (SPEN) outlined its plans to invest "to maximise use of our existing network through to the early 2030s"<sup>14</sup> to accommodate demand growth in mid Wales.

**22.** DNOs made clear that, in the longer term, if large volumes of generation are to be accommodated in Wales, new additional network capacity is required.

**23.** Contributors welcomed the Welsh Government's Future Energy Grid Project. However, RWE Renewables UK expressed the view that the sector should be involved in the Project and said it was "[not] clear what progress, if any, has been made".<sup>15</sup>

## Cost of grid connection

**24.** When a developer seeks a connection to the network, the DNO will consider what work will be needed to enable that connection. This could include the installation of new assets to extend the existing network and, in some cases, reinforcement of the existing network. The cost of this work is split between the developer (via an upfront connection charge) and the DNO.

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<sup>11</sup> Written evidence, RE06 EDF Renewables

<sup>12</sup> Written evidence, RE05 RWE Renewables UK

<sup>13</sup> Written evidence, RE06 EDF Renewables

<sup>14</sup> Written evidence, RE03, SP Energy Networks

<sup>15</sup> Written evidence, RE05 RWE Renewables UK

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**25.** Some contributors suggested that upfront connection costs may make projects unviable and are therefore a barrier to development. Ofgem explained it is in the process of **reviewing** current connection charging arrangements. This includes proposals to “socialise” costs so the developer will no longer have to meet the cost of grid reinforcement.

## **The pathway to grid infrastructure investment**

**26.** Ofgem explained that grid infrastructure typically follows the development of generation projects. Developers seek connection to the transmission or distribution network, and network providers are obliged to offer terms of connection, which include local works and any necessary reinforcement to enable access to the wider electricity market.

**27.** Concerns were raised by some contributors that the current ‘chicken and egg’ approach to grid infrastructure investment is constraining renewable energy development. RWE Renewables UK said, “to kick start grid investment” and “give developers confidence to develop projects” the Welsh Government should “explore ways to financially underpin the grid feasibility and consenting expenditure needed in parallel with attempts to secure anticipatory investment via Ofgem”.<sup>16</sup>

**28.** RenewablesUK Cymru highlighted the importance of anticipatory investment and welcomed the Welsh Government’s intention to work with Ofgem to take this forward.

**29.** Ofgem told the Committee:

*“[Our] approach to approving anticipatory investment is shifting. Our position is to remain open to anticipatory investment as long as clear and robust evidence of need, potential costs and benefits is provided...we must remain mindful that our role is to strike a deal on behalf of every household billpayer in Wales. Any funding for anticipatory investment needs to align with the granting of planning consents for new infrastructure, which must also be supported by strong evidence of need.”<sup>17</sup>*

**30.** Ofgem emphasised that “major strategic decisions about the mix of generation technology and its location are matters for Government and developers. Once this is clear, it is a key piece of enabling evidence that informs Ofgem’s assessment of network company

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<sup>16</sup> Written evidence, RE05 RWE Renewables UK

<sup>17</sup> Written evidence, RE08 Ofgem

proposals". Ofgem said the Welsh Government's Future Energy Grid Project "will contribute towards this evidence base".<sup>18</sup>

## Ambitions for a Wales Energy System Architect

**31.** Following the Deep Dive, the Welsh Government committed to "press Ofgem to create a Wales Energy System Architect". The purpose of the Wales Energy System Architect would be "to oversee offshore and onshore investment to support the Celtic Seas developments, supporting business cases for whole system planning and bring together plans across South, Mid and North Wales and the development of a detailed whole system plan for gas and electricity transmission and distribution networks".<sup>19</sup>

**32.** Ofgem told the Committee the creation of a systems architect for the energy sector "doesn't generally align with central Government thinking". Furthermore, Ofgem said its powers are "limited to regulating the networks and market participants under the current institutional framework. So, creating a system architect will be a matter for Government, rather than for Ofgem".<sup>20</sup>

## Our view

Wales' grid infrastructure is not fit for purpose. It is holding back renewable energy development. It requires investment, reinforcement and upgrading.

For over a decade, there have been loud and persistent calls for action from government to secure improvements to the grid, including from the Fourth Senedd's Environment and Sustainability Committee. But, limited progress has been made, and Wales is a long way off from a grid ready and able to support a rapid transition to renewables.

The Welsh Government has limited levers at its disposal to secure improvements to Wales' grid. There are encouraging signs it is taking steps to proactively influence future grid investment, for example, through its Future Energy Grid Project. But, more needs to be done, and as a matter of urgency, to address current grid capacity issues.

We were alarmed that recent findings by the House of Commons Welsh Affairs Committee (WAC) suggested the UK Government may be "unaware of the severity" of grid capacity issues

<sup>18</sup> Written evidence, RE08 Ofgem

<sup>19</sup> ~~Written Statement: Outcome of the Deep Dive into Renewable Energy~~, December 2021

<sup>20</sup> RoP, paragraph 231, 3 March 2020

in Wales.<sup>21</sup> Frankly, this is shocking, given that these issues are well-documented and long-standing. The Welsh Government must demonstrate greater leadership and proactively engage UK Government at the highest level to ensure Wales' current and future grid infrastructure requirements are fully understood and met.

We welcome the WAC's current inquiry into the grid in Wales and await the publication of its report with interest.

We note Ofgem's proposal to 'socialise' costs associated with network reinforcements. While we support the underlying aim of the proposal, we are concerned about the potential impact on Welsh consumer electricity bills, particularly in the context of the ongoing cost of living crisis.

The Welsh Government's commitment to press Ofgem to create a Wales Energy System Architect is well-intentioned, but the evidence we received from Ofgem suggests this commitment is misguided. It is unclear whether and how the Welsh Government will deliver its ambition for a Wales Energy System Architect without the level of support from Ofgem that it envisaged receiving.

**Recommendation 5.** 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.

**Recommendation 6.** 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.

**Recommendation 7.** 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.

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<sup>21</sup> House of Commons Welsh Affairs Committee, *Renewable energy in Wales. Second Report of Session 2021-22*, July 2021



**Recommendation 8.** 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.

### 3. Consenting and licensing

**33.** ***Future Wales: The National Plan 2040***, the Welsh Government's first National Development Framework, provides the policy framework for consenting new renewable and low carbon energy developments and associated infrastructure on land, where the responsibility for consenting is devolved.

**34.** The ***Welsh National Marine Plan*** sets out the Welsh Government's approach to development in the marine environment.

**35.** The consent process and consenting authority for renewable energy developments in Wales differs according to the type of energy generation and the scale of the development. In short:

- smaller on land developments are decided by local planning authorities;
- larger on land developments, and some offshore developments, where consenting is devolved, are decided by the Welsh Government through the Developments of National Significance (DNS) process; and
- larger on land and offshore developments (known as Nationally Significant Infrastructure Projects or NSIPs), where consenting is not devolved, are decided by the UK Government through the Development Consent Order (DCO) process.

**36.** A marine license is required for all marine energy developments. Natural Resources Wales (NRW) is responsible for marine licensing in both inshore and offshore Welsh waters.

**37.** In announcing the outcome of the Deep Dive, the Deputy Minister acknowledged that "further action is needed to improve consenting, licencing and statutory advisory arrangements in Wales to bring forward appropriate investments".<sup>22</sup> Following the recommendations of the Deep Dive, the Welsh Government committed to undertake a review of consenting and supporting evidence and advice, to ensure a timely and proportionate process. This includes an end-to-end review of marine licensing to remove barriers, and a review of resource needs.

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<sup>22</sup> *Written Statement: Outcome of the Deep Dive into Renewable Energy*, December 2021

## Lack of capacity and resources for timely decisions

**38.** Contributors raised concern about the lack of capacity and resources within NRW and local planning authorities to allow for timely consenting and licensing decisions to be made.

**39.** IWA said local planning authorities' budgets have been "massively cut since 2010", which "has a real impact on the ability to process and provide advice and everything else to get these projects off the ground".<sup>23</sup> EDF Renewables emphasised the need for local planning authorities to be "adequately resourced and take into account those ambitions set out in the regional and national policies".<sup>24</sup>

**40.** RWE Renewables UK told the Committee, "NRW is currently not appropriately resourced...to carry out its statutory and non-statutory functions in a timely way. This can cause long and costly delays to projects and is especially the case for the supporting advice that is needed from NRW for our onshore projects".<sup>25</sup>

## Particular challenges exist for marine energy developments

**41.** According to RWE Renewables UK, marine energy developments in Welsh waters "face increased consenting risk and a competitive disadvantage" compared to those elsewhere in the UK.<sup>26</sup> It explained that, unlike in England, Welsh Marine Licences are not deemed under a (DCO but are determined separately.<sup>27</sup> There is no clear timetable by which NRW must determine Welsh Marine Licences for DCOs. According to RWE Renewables UK, this is currently posing the greatest risk to the programme of delivery for its **Awel y Môr project**.

**42.** In its report, ***Renewing the Focus: Re-energising Wales Two Years On***, the IWA also highlighted the lack of provision for Welsh Marine Licences to be deemed under a DCO as "a potential barrier to development, and risks making Wales less attractive than other parts of the UK, despite the underlying resource potential". IWA called "for a clearer and more defined consenting process to ensure the timely deployment of marine renewables".

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<sup>23</sup> RoP, paragraph 137, 3 March 2022

<sup>24</sup> RoP, paragraph 436, 3 March 2022

<sup>25</sup> Written evidence, RE05 RWE Renewables UK

<sup>26</sup> Written evidence, RE05 RWE Renewables UK

<sup>27</sup> The Planning Inspectorate examines applications for Nationally Significant Infrastructure Projects (NSIPs) under the Planning Act 2008 (the 2008 Act). The 2008 Act enables Development Consent Orders (DCOs) for NSIPs in England to include provisions deeming a marine licence to have been issued under Part 4 of the Marine and Coastal Access Act 2009.

## Lack of a robust marine evidence base

**43.** Following the outcome of the Deep Dive, the Welsh Government is working “to identify priority marine and terrestrial evidence gaps and mechanisms to fill them, to expedite the application process”. This work is due to be completed in spring 2022. In addition, the Welsh Government has committed to “identify marine ‘strategic resource areas’ by 2023 and provide guidance to signpost appropriate and inappropriate areas for development of different renewable energy technologies”.<sup>28</sup>

**44.** The Committee sought the views of the Crown Estate and the Joint Nature Conservation Committee (JNCC) on existing gaps in the marine evidence base in the context of the anticipated growth in marine renewable energy developments.

**45.** The Crown Estate and JNCC referred to the need to balance accelerating and expanding offshore renewables to achieve Net Zero with protecting the marine environment and halting biodiversity decline. The Crown Estate emphasised the importance of “having the best possible data” to underpin decision making and “[to] make sure that those trade-offs, which inevitably will need to be made, can be made in the right way”.<sup>29</sup>

**46.** JNCC explained that evidence gathering in the marine environment is costly and that addressing gaps takes time, given the “dynamic and hostile environment”.<sup>30</sup> JNCC said it has been leading on the development of the Offshore Wind Environmental Evidence Register, which is the first ever UK-wide register of offshore wind evidence gaps. JNCC also referred to the Offshore Wind Strategic Monitoring and Research Forum, which aims to identify and address knowledge gaps on the effects of offshore wind developments on marine birds.

**47.** The Crown Estate said its Offshore Wind Evidence & Change Programme “will provide essential insights to help the sector and policy makers better understand and address environmental considerations and interactions with other industries and activities, both around the coast and offshore”.<sup>31</sup> Both the Welsh Government and NRW are involved in the Programme.

**48.** When asked about the potential for developers to share marine data they collect to inform their proposals, the Crown Estate explained:

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<sup>28</sup> Written Statement: Outcome of the Deep Dive into Renewable Energy, December 2021

<sup>29</sup> RoP, paragraph 289, 3 March 2022

<sup>30</sup> RoP, paragraph 285, 3 March 2022

<sup>31</sup> Written evidence, RE09 The Crown Estate

*"we have, in all our commercial agreements with developers...data clauses that say, any surveys that you carry out, we respect your commercial confidentiality, but you have to supply us with those data, and after a period of a few years, which we agree with you, you will then make those data available to the public free of charge."*<sup>32</sup>

**49.** It also explained it had just relaunched its **Marine Data Exchange**, which provides access to survey data and reports collected by its offshore renewable and marine aggregates customers.

## A new infrastructure consenting regime for Wales

**50.** The Welsh Government has **committed** to establish a new Welsh National Infrastructure Consenting regime "to ensure Wales has efficient and effective consenting arrangements for both on and offshore renewable development, as well as other infrastructure, in Wales".<sup>33</sup> It wants a 'one-stop-shop approach' for major infrastructure projects where consenting is devolved, similar to the UK Government's DCO process for NSIPs. This approach allows a number of secondary consents to be included in the main consent, rather than having to be applied for separately.

**51.** Establishing a new infrastructure consenting regime will require primary legislation. The Welsh Government **consulted** on initial proposals in 2018.

**52.** EDF Renewables called for "a robust and well-resourced Welsh consenting regime with clear decision-making timescales...to ensure that any risk of programme delay is minimised for projects progressing through to [Contracts for Difference] application".<sup>34</sup> It welcomed the Welsh Government's commitment to bring forward a new consenting infrastructure regime.

**53.** Several contributors to the **Committee's inquiry into priorities for the Sixth Senedd** called for the Bill on infrastructure consenting to be brought forward at the earliest available opportunity.

## Our view

A well-resourced, streamlined and efficient consenting regime is essential in order to support the growth of the renewable energy sector in Wales. The current process falls short of this.

<sup>32</sup> RoP, paragraph 289, 3 March 2022

<sup>33</sup> **Written Statement: Outcome of the Deep Dive into Renewable Energy**, December 2021

<sup>34</sup> Written evidence, RE06 EDF Renewables

NRW and local planning authorities play critical roles in the consenting process, but a lack of capacity and resource means they are struggling to deliver services in an effective and timely way. This can frustrate and delay projects, and lead to increased costs. Since the start of the Sixth Senedd, we have been calling on the Welsh Government to ensure that NRW is adequately resourced to carry out its roles and responsibilities effectively. We repeat those calls.

We are concerned the Deep Dive's recommendations fail to address the concerns raised with us about local planning authorities. We are aware of work already undertaken by the Welsh Government to provide a more stable fee structure for local planning authorities. However, it is unclear whether or how this work is being taken forward. The Welsh Government must address these issues.

Bolstering capacity and resource of key delivery partners will go some way in improving the current consenting process. However, legislative changes will be needed to deliver the streamlined and efficient process that developers and the planning sector are calling for. Although the Welsh Government has reaffirmed its commitment to legislate for a new consenting regime, the timing of a Bill remains unclear. We are concerned that progress towards the development of a Bill has slowed, and the new regime is still years away.

As outlined in our recent ***Report on the Welsh Government's marine policies***, the lack of a robust evidence base to underpin development decisions means there are inherent risks in accelerating offshore development. Given the anticipated growth in the offshore sector in the coming years, we are pleased the Welsh Government has committed to identify priority marine evidence gaps and mechanisms to fill. We have already asked the Welsh Government to explain how it intends to take this work forward.

We are encouraged by the work being undertaken by the JNCC and the Crown Estate to improve the marine evidence base, and we welcome the relaunch of the Marine Data Exchange.

**Recommendation 9.** 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.

**Recommendation 10.** 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.



**Recommendation 11.** 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.

## 4. Opportunities to scale up community and local energy in Wales

**54.** A key element of the Welsh Government's renewable energy policy is to maximise local ownership of developments as a means of ensuring economic and social benefits are retained in Wales.

**55.** The Welsh Government published its **Policy Statement on local ownership of energy generation** in February 2020.

**56.** The Welsh Government has recently committed to expanding renewable energy generation by public bodies and community enterprises in Wales by over 100 MW between 2021 and 2026.<sup>35</sup>

**57.** Following the Deep Dive, the Welsh Government committed to a range of actions aimed at scaling up community and local renewable energy development, including:

- considering options to support generation through Non-Domestic Rates and utilising buying power of the public sector to support reliable routes to market;
- encouraging private developers to include options for shared local and community ownership including through tenders issued on public land;
- improving access to the public estate for the community energy sector; and
- publishing guidance on shared ownership, including what meets the definition of 'shared ownership', and working closely with private developers to maximise impact.

### Increasing 'shared ownership'

**58.** Several contributors highlighted the need for an increase in shared ownership<sup>36</sup> projects to drive more community and local ownership if the Welsh Government is to achieve its 2030 local ownership target. Although Ripple Energy welcomed the Deep Dive's recommendations, it believed that, to encourage shared ownership, the Welsh Government should "require that all

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<sup>35</sup> Net Zero Wales Carbon Budget 2 (2021 to 2025), Welsh Government, October 2022

<sup>36</sup> The Welsh Government defines 'shared ownership' as "a project owned by more than one legal entity. Examples exist where the ownership of a project is shared between a developer and a community group, individuals, landowners, or a public sector organisation. Shared ownership projects can involve more than one commercial organisation".

new renewable energy projects make available at least 30% of the project's capacity for consumer ownership".<sup>37</sup> A similar view was expressed by IWA.

**59.** Ripple Energy told the Committee its shared ownership model demonstrates communities/consumers can successfully be involved in large scale projects. Ripple Energy's model enables consumers to part own large scale wind farms via ownership collectives. It partners with energy suppliers who supply owners' electricity from their wind farm to their home via the grid. Co-owners receive savings on their electricity bills based on how much their share of the wind farm generates.

**60.** RWE Renewables UK is currently involved in two shared ownership projects. However, it expressed the view that shared ownership would be particularly challenging for large scale projects, such as Awel y Môr, given the capital expenditure requirements, timescales and financial risk involved. RWE Renewables UK stated:

*"You've got to really ask yourself: is that appropriate for a local community to put money into? Are they really wanting the risk? We've seen lots of examples where local authorities and stuff around the UK have got involved in schemes and lost a considerable amount of money. And we also have to be careful, as developers, not to be selling schemes that we don't think are a good use of public money."*<sup>38</sup>

## Improving access to public land

**61.** Several contributors highlighted the challenge of accessing land for community projects and suggested improved access to public land and the public estate would help address this. CEW told the Committee:

*"Public land is an obvious place where Welsh Government actually does have influence over. We could be looking at public land...how do we enable communities to have access to publicly owned land, NRW and local authority land, and roof space and things like that as well?"*<sup>39</sup>

**62.** The Welsh Local Government Association (WLGA) explained local authorities had committed to identify opportunities for the use of local authority-owned land for potential

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<sup>37</sup> Written evidence, RE07 Ripple Energy

<sup>38</sup> RoP, paragraph 452, 3 March 2022

<sup>39</sup> RoP, paragraph 109, 3 March 2022

renewable energy projects. It said considerable work has already been undertaken to identify a pipeline of projects.<sup>40</sup>

**63.** In its report, **A plan for Wales' renewables future: Essential actions to re-energise Wales by 2035**, IWA called for NRW to allocate at least 5 sites for at least 15MW per year for 100% community and local authority owned renewable energy developments, and 3 sites for at least 60MW per year for shared ownership schemes, at a nominal or peppercorn rent. RenewablesUK Cymru also suggested the public estate could be used to facilitate shared ownership projects:

*"on the public estate, Welsh Government could, if it wanted to, insist on a certain percentage of a project being given to a local community free of charge as part of its terms of tender. It could insist that a percentage of a project would be invested in at cost by communities, once it was built, i.e. without any of the development risk."*<sup>41</sup>

**64.** RWE Renewables UK pointed out that, outside mid Wales, the vast majority of land suitable for large scale onshore wind projects is on the Welsh Government's Woodland Estate. It advocated "a public/private partnership approach" to development on the Woodland Estate, which "could operate as an 'Onshore Sector Deal' between the industry and the Welsh Government". In addition, RWE Renewables UK said the frequency of tenders on the Woodland Estate is "too slow and is driven by NRW resource rather than the urgency of climate change".<sup>42</sup>

## Supportive public procurement practices

**65.** CEW told the Committee that community energy developments "often fall foul of procurement processes".<sup>43</sup> It explained:

*"We are currently working on developing the largest community owned energy project in the UK a 30MW solar farm. We could be in a situation where we end up selling the power from that scheme to Local Authorities in England because the procurement services in Wales haven't enabled us to sell the energy to the Welsh public sector."*<sup>44</sup>

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<sup>40</sup> Written evidence, RE10 WLGA

<sup>41</sup> RoP, paragraph 121, 3 March 2022

<sup>42</sup> Written evidence, RE05 RWE Renewables UK

<sup>43</sup> Written evidence, RE11 Community Energy Wales

<sup>44</sup> Written evidence, RE11 Community Energy Wales

**66.** CEW asserted, “we need to be much braver in perhaps pushing forward on challenging perceived procurement issues”.<sup>45</sup>

**67.** The WLGA said local authorities have looked into opportunities to support investment in renewable energy schemes, including making forward commitments to purchase the energy generated from schemes. However, it explained “any such advance purchase would still be subject to procurement requirements”, which can impose restrictions on local authorities’ ability to commit to a single, specific project.<sup>46</sup>

## The role of Ynni Cymru

**68.** Currently, local energy projects are supported by the Welsh Government Energy Service (WGES) and through grant funding for Community Energy Wales. The WGES provides free technical, commercial and procurement support to develop renewable energy and energy efficiency projects. It also helps with financial planning and funding, including interest free loans and grants.

**69.** The **Co-operation Agreement** between the Welsh Government and Plaid Cymru commits the Welsh Government to work towards the creation of Ynni Cymru, a publicly-owned energy company for Wales, to expand community-owned renewable energy generation. The Deep Dive recommendations state the Welsh Government will ensure the community energy sector is involved in Ynni Cymru and sets out options for achieving this.

**70.** CEW was supportive of the concept of a publicly owned energy company and said it is currently involved in the development of proposals for Ynni Cymru. It said, the intention of Ynni Cymru “is positive and the concept is a good one”, but “a lot will depend on how much resource is put into this body and how it evolves”.<sup>47</sup>

**71.** RenewablesUK Cymru said, overall “the principle underpinning Ynni Cymru is sound”. It expressed the view that Ynni Cymru should “complement” the operation of the commercial sector in order to deliver social value, and called for greater clarity on the future relationship between the two.<sup>48</sup>

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<sup>45</sup> RoP, paragraph 88, 3 March 2022

<sup>46</sup> Written evidence, RE10 WLGA

<sup>47</sup> Written evidence, RE11 Community Energy Wales

<sup>48</sup> RoP, paragraph 151, 3 March 2022

**72.** Developers questioned whether establishing of a publicly owned energy company was the most appropriate way to deliver the Welsh Government's ambitions to accelerate renewable energy development. RWE Renewables UK stated:

*"We are particularly concerned that the priority should be focussed on addressing climate change, and that setting up such a company would take time resource and attention away from this crucial task and also risk reducing the attractiveness of Wales to private companies and delaying the build of renewables."*<sup>49</sup>

## Community benefit arrangements

**73.** It is common for commercial developers to make financial contributions to local communities affected by their projects. These arrangements are known as 'community benefits'. These are voluntary arrangements between the community and the developer, which can take different forms.

**74.** A Community Benefit Fund involves the developer paying into a fund which is then made available to finance community projects. It can take the form of a fixed annual sum paid per MW of installed capacity, a variable annual payment linked to profit or electricity output measures, lump-sum payments, or a mixture of these.

**75.** Although RWE Renewables UK acknowledged the importance of providing opportunities for shared ownership, it urged "not to underestimate the value that communities put on the community benefits, and that some people would rather have that defibrillator, would rather have that village hall than a stake in a windfarm".<sup>50</sup> RWE Renewables UK said it believes community benefits are key to "winning the hearts and minds of communities" that may be negatively impacted by projects, making them more socially acceptable than would otherwise be the case.<sup>51</sup>

**76.** RWE Renewables UK said it would be supportive of "mandating" community benefits of a fixed rate per MW "to take it out of the competitive process".<sup>52</sup>

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<sup>49</sup> Written evidence, RE05 RWE Renewables UK

<sup>50</sup> RoP, paragraph 450, 3 March 2022

<sup>51</sup> RoP, paragraph 448, 3 March 2022

<sup>52</sup> RoP, paragraph 467, 3 March 2022



## Our view

We heard an increase in shared ownership will be key to driving more community and local ownership. The Welsh Government's position on shared ownership is not sufficiently clear. It should provide stronger direction to commercial developers to ensure they offer shared ownership as an option. We expect the Welsh Government's guidance on shared ownership to address this. The Welsh Government must develop appropriate policies to encourage and incentivise shared ownership on new commercial developments of all scales and on existing developments when they are repowered or extended.

We are pleased the Welsh Government has committed to consider options to support renewable energy generation through Non-Domestic Rate relief and public sector procurement practices. We look forward to receiving an update on progress made in taking forward this work.

While we acknowledge the need for the Welsh Government to balance competing demands on its Woodland Estate<sup>53</sup>, we believe there is merit in exploring how it can be better utilised to support the growth of the renewable energy sector. We are encouraged to hear of the work already underway across local authorities to identify land suitable for renewable developments. It is unclear whether similar work is being undertaken across other public sector organisations.

We note the evidence from contributors that favours a requirement for a minimum level of local ownership in all new renewable energy developments. The Welsh Government should take account of this in its future review of renewable energy targets.

There is a lack of clarity about Ynni Cymru's role in the development of the renewable energy sector and its potential impact on the commercial sector. We acknowledge that proposals for Ynni Cymru are still in their infancy. However, the Welsh Government must set out its early thinking on the role of Ynni Cymru, including how it will interact with its Energy Service, and ensure greater transparency as proposals emerge.

We acknowledge that, for some communities, shared ownership may not be an attractive or viable option. In these instances, communities must be supported and empowered to secure 'community benefits' that meet their needs and deliver lasting benefits. We heard that mandating an appropriate level for Community Benefit Funds would offer greater certainty to

<sup>53</sup> The Welsh Government Woodland Estate is the term used to describe the woodlands in Wales that are owned by Welsh Ministers on behalf of the nation. Welsh Ministers have delegated responsibility for management of the WGWE to Natural Resources Wales (NRW)

developers and communities. The Welsh Government should explore how this could be best achieved.

**Recommendation 12.** 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.

**Recommendation 13.** The Welsh Government must set out how it is using the levers it has at its disposal to encourage and incentivise shared ownership.

**Recommendation 14.** 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.

**Recommendation 15.** 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.

**Recommendation 16.** 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.

**Recommendation 17.** 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.