



All Assembly Members

21 January 2016

Dear Assembly Member

I am writing to update Members on the current status of the Swansea Bay Tidal lagoon project.

The Swansea Bay Tidal Lagoon (SBTL) development is a world first and potentially a significant contributor to the Welsh economy. Welsh Government assigns priority to developing a sustainable and vibrant marine energy sector in Wales. The planning consent announcement for the Swansea project is therefore great news for Wales and reinforces that Wales has the resource to lead on innovative Marine Energy. I understand that Tidal Lagoon Power (the developer of SBTL) has submitted its final offer to the UK Government's Department for Energy and Climate Change (DECC) for consideration in relation to a Contract for Difference (CfD).

DECC lead on the financial negotiations with Tidal Lagoon Power (TLP) which is seeking significant financial support from the consumer for the SBTL in the form of a strike price subsidy. DECC has not indicated to the Welsh Government as to how long this process may take. We will have to wait for the outcome of DECC's in depth technical and economic due diligence process to receive an answer to this question which is critical to the progression of SBTL. The project will, according to information provided by the company, create or support an estimated 1,900 jobs during construction. Once the project is complete, up to 181 FTE jobs will be created or supported. An economic impact assessment by the company estimates that the annual impact of the lagoon on Welsh GVA could amount to approximately £76 million per year.

Members will be aware that the Swansea Bay tidal lagoon recently announced twenty job losses at their Gloucestershire base and are in the process of

restructuring and reprioritising the company's business to concentrate on resourcing the Swansea Bay project.

TLP is proposing to construct a fleet of 6 lagoons over the next 12-15 year – 4 of which may be in Wales. The Swansea Bay project and TLP's other proposed lagoon projects could assist us in meeting our ambition to create a low carbon future for Wales. It will also support new jobs and skills in the nascent and growing Marine Energy Sector. My officials regularly engage with TLP to ensure Welsh businesses and specifically the local economy gain the maximum benefits from the project which will have a long lasting economic benefit for the Region. The Marine Licensing Team of Natural Resources Wales, acting on behalf of Welsh Ministers, is continuing to appraise the application for a Marine Licence made by Tidal Lagoon (Swansea Bay) plc.

I was disappointed to note the comments made by the Prime Minister regarding tidal power on the 12 January, of which Members will also be aware. In response, the developers have reiterated that they are confident they can deliver the project with a viable strike price. It is unclear what has drawn the Prime Minister to make this specific statement at this time, and neither DECC nor the Treasury have indicated any specific details or their position as to when they propose to make their decision, or to the level of subsidy they would consider.

There is great importance attributed to the SBTL project for both Swansea and Wales as a whole and therefore it is vital to have an early decision by DECC in the coming months

*Edwina Hart*