

Senedd Cymru
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Economi Gwyrdd
GE32
Ymateb gan: Vattenfall

Welsh Parliament
Economy, Trade, and Rural Affairs Committee
Green Economy
GE32
Evidence from: Vattenfall



Senedd Economy, Trade and Rural Affairs Committee Green Economy Inquiry

Consultation response from Vattenfall

March 2024

Q1 Within its devolved powers, what should be the Welsh Government's key priorities to maximise the potential economic opportunities from green economy sectors? To what extent does its current approach reflect these?

Vattenfall believes that the Welsh Government should prioritise setting out a clear delivery plan to meet both the 100% renewable electricity target by 2035 and net zero by 2050. At the heart of this plan should be a recognition of the important role that the private sector can play in partnership with the Welsh Government in driving investment into Wales.

Within its devolved powers, Welsh Government should focus on speeding up consenting decisions. That will involve taking a pragmatic approach at times, and working with the renewables industry to ensure that sufficient resources are available to consenting bodies and statutory consultees to make timely decisions.

We support industry calls for Welsh Government to develop a workforce strategy and action plan in collaboration with our industry, educational establishments and training providers. This should support anticipatory investment to ensure a skilled workforce is ready in Wales to deliver projects and associated infrastructure.

These things together should help to provide the investor confidence that will encourage significant deployment, and allow Wales to maximise the benefits of the green transition.

Q2 What are the key barriers to Wales making the most of opportunities in the green economy, and what steps should be taken to overcome these?

The main barrier to preventing Wales from making the most of opportunities in the green economy is a failure to secure a low-carbon deployment pipeline. Without projects to deploy, Wales will not secure the benefits of moving to a greener economy.

These barriers need to be tackled strategically, and holistically because each has a brake on investment.

A road map to delivery is therefore of fundamental importance. This should set out the ambition for renewables deployment, and a strategy for removing the barriers. These barriers include planning and consenting delays, the lack of a sufficient grid network across Wales, and challenges caused by a lack of a critical mass pipeline in Wales including supply chain capability, a skills bottleneck, and port readiness. The lack of delivery plans to allow developers to effectively manage aviation and radar challenges, and a number of environmental challenges are also cooling investment sentiment. These environmental barriers include peatland and marine habitat restoration.

Q3 What actions should the Welsh Government take to support development of Wales-based supply chains in green economy sectors?

Vattenfall is seeing a squeeze on supply chain availability across many of our markets, created by a supply-demand imbalance as the world moves to decarbonise. This presents a challenge for the energy transition, but also an opportunity for domestic supply chain development.

As long as products are competitive and of good quality, developers will automatically gravitate to the local supply chain as logistic and environmental costs will be lower. Two key pre-requisites for Welsh supply chain investment are firstly a sustainable market, which can be evidenced by a credible and strong future pipeline. Secondly, the Welsh investment climate must remain commercially attractive against international competition.

Q4 What skills challenges exist in relation to transitioning to a green economy? What actions should be taken, and by whom, to ensure the skills are there to meet the growing demands of a green economy?

Electrification is at the heart of the transition to the green economy. Without a significant increase in low-carbon power, the decarbonisation of industry, transport and heat cannot happen. Focus should be given, therefore, to scaling up low-carbon deployment including investing in grid upgrades to ensure new projects can be connected.

A significant scaling-up, however, will require a large number of highly-skilled employees. For Wales to capitalise on the coming opportunities for jobs and economic growth, investment now in skills development is needed.

In our experience as a Welsh onshore wind developer however, there is a widespread lack of knowledge about green job opportunities in Wales, and a lack of awareness from education providers about what skills are needed in the development, construction and maintenance of onshore wind farms.

There are some solutions to these problems that developers can themselves progress, particularly with raising awareness. At our Pen y Cymoedd onshore wind farm in South Wales, for example, we have made contact with local educational providers such as Neath Port Talbot College to facilitate a link between the jobs available onsite, and students progressing through the NVQ and college system.

Significant progress, however, is only likely to be made with a more strategic approach across Wales, and this is an area where Welsh Government are best placed to lead. We recommend that Welsh Government should develop a workforce strategy and action plan in collaboration with the low-carbon energy industry, training providers, and educational establishments to identify the roles needed, and how Wales can skill its workforce to meet those needs.

Q5 What will workers and employers need for a just transition to a Net Zero economy to be achieved, and what actions should the Welsh Government take to deliver the elements of this that lie within its devolved powers?

To deliver a just transition to net zero, pathways into low-carbon careers need to be established for people from all backgrounds, including those transitioning from high-carbon industries. Welsh Government can support these pathways with a clearly stated ambition to net zero, an action plan for delivery that focuses on supporting inward investment and removing barriers to deployment, and dedicated action to train the Welsh workforce. Welsh Government will also need to work closely with UK

Government and in particular on critical issues that impact the scale and pace of Welsh renewable deployment, for example potential reforms to the UK-wide CfD support mechanism.

Q6 How will the Welsh Government need to work in partnership with others to realise the potential of the green economy and deliver a just transition? To what extent is the partnership working that is needed being undertaken?

There is now a significant opportunity to develop more renewable energy schemes on forestry and other land owned by the Welsh Government. We understand that the Welsh Government are currently reviewing options on how best to bring forward those opportunities. We believe that there is a role for both public and private sector investment, including the potential for private sector partnerships with Welsh Government.

In Vattenfall's experience, partnerships with other stakeholders are critical for maximising the benefits of renewables deployment to local, regional and national communities. Benefits, however, will not be realised without a pipeline of projects coming to deployment. Welsh Government has a clear role, therefore, in supporting low-carbon deployment through setting ambitious targets for Wales, and taking action to remove barriers to deployment and supporting inward investment. These include consenting projects, and supporting the necessary associated grid infrastructure.

Onshore wind offers the most cost-effective choice for new electricity in the UK. It is cheaper than gas, nuclear, coal and other renewables, and is a technology that can deliver both at speed and scale if barriers are addressed. In Wales, these include delivering more investment into the electricity grid, upskilling the local workforce, and driving decarbonisation into untapped areas including district heating, electric vehicles, and industrial decarbonisation. If these barriers can be overcome, significant benefits could accrue, particularly to those communities hosting onshore wind farms. As an example of what could be delivered, our Pen-y-Cymoedd onshore wind farm has:

- Provided significant lease rental payments to Welsh Government through Natural Resources Wales;
- Continued to use local contractors to provide services during the operations of the wind farm;
- Provided £1.8m per year in payments to the community benefit fund, including specific covid response funds that have helped keep 37 businesses afloat;
- Supported a £3m Habitat Management Fund that has allowed Natural Resources Wales to replace Sitka spruce and dying Larch through an extensive habitat restoration programme;

- Paid nearly £4m per year in business rates;
- Boosted the local supply chain and employment through its construction and operation. Over half of Vattenfall's £400m investment in constructing Pen-y-Cymoedd went to businesses in Wales;
- Supported the creation of a 24km new mountain bike trail fully open to the general public;
- Made the mountain a more accessible place for locals and visitors to enjoy the landscape;
- Allowed commercial forestry activities to continue;
- These benefits have been secured at zero risk to public finances through the entire development and construction phases.

Q7 The Welsh Government says it will face considerable budgetary constraints in the short term. How should it prioritise investment to support development of the green economy over the shorter and longer-term? What innovative approaches to financing could be considered to maximise potential investment and benefits?

Moving to a lower-carbon economy will require a significant amount of upfront investment, and much of this will need to come from private sector investment. Welsh Government should be clear that inward investment is welcome in Wales. With budgetary constraints, Welsh Government should prioritise investments that secure private sector investment as quickly as possible. This includes adequately resourcing planning departments to rule on consents.