

MINUTES

Date 10th January 02
Time 2.00 – 4.05pm
Venue Committee Room 3, National Assembly for Wales, Cardiff Bay

Attendance

Members

Constituency

Alun Cairns	South Wales West
Chris Chapman	Cynon Valley
David Davies	Monmouth
Ron Davies	Caerphilly
Mike German	South Wales East
Christine Gwyther (Chair)	Carmarthen West and South Pembrokeshire
Alison Halford	Delyn
Brian Hancock	Islwyn
Rhodri Morgan (Economic Development Minister)	Cardiff West
Dafydd Wigley	Caernarfon
Phil Williams	South Wales East

Officials

David Pritchard	Director, Economic Development
Emyr Roberts	EPD
Alan Moss	EPD

In Attendance

Sir John Houghton	IPCC WGI Co-Chair
Jake Chapman	Expert Adviser to EDC on Energy Review

Secretariat

John Grimes	Clerk
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Item 1: Chair's opening remarks.

1. Declarations of interest were made by Christine Gwyther, whose partner has a consultancy business and Dafydd Wigley, who is the director of a small company.
2. The Chair advised Members that a Minister's report had not been requested as this meeting was in addition to the Committee's normal scheduled meetings and a report would be produced for the meeting on 16th January as normal. A Member expressed disappointment that the Committee had not received a report from the Minister since 17th December.

Item 2: Energy Review – Global Warming

1. The Chair introduced Sir John Houghton who was Co-Chair of the Scientific Assessment Working Group, Intergovernmental Panel on Climate Change (IPCC) and thanked him for coming to talk to the Committee on what was a very important subject.
2. Sir John Houghton outlined the work of the Intergovernmental Panel which was a UN body and drew attention to the latest Assessment report which was available on the IPCC website.
3. He highlighted the changes in the global climate and the effects of the increase in 'greenhouse' gases. He said that over the last century the world had warmed up dramatically and 1998 had been the warmest year on record so far. It was predicted that by 2100 CO₂, under the business as usual scenario, concentration would have increased to between 600 and 700 ppm. This was higher than any concentration that had been recorded for millions of years and would create a disturbing imbalance in the climate.
4. The projection for this century was that the global temperature would rise between 2 and 6 degrees and whilst there was some uncertainty in climate models, whatever analogy was used the rate of change would be rapid. It was reasonable to assume that with mitigation measures to stabilise carbon dioxide concentrations the average increase in global temperature would be between 3 and 4 degrees. He said that it was the adaptation to this rapid change in the climate that would be most difficult.
5. He identified the effects of climate change on sea levels and also the effects of the hydrological cycle. A warmer world would be a wetter and windier world and whilst there would be more intense rainfall in some areas, drier regions would suffer with more droughts and wetter, milder, windier winters would have implications for water supply. A further effect of increased CO₂ emissions would mean greater yields in food production in the temperate latitudes, whilst in the sub-tropical areas it would reduce, thereby increasing the rich/poor divide. It had

been estimated that by 2050 there could be 150 million 'environmental' refugees worldwide.

6. In trying to address the solutions he said that whilst adaptation was necessary it was also essential to stabilise CO₂ emissions and only an ecologically driven scenario would do this. It was recognised that the developed world had to take the first steps. He identified the principles governing International action and said that most actions would save money but that people needed incentives. As an example he identified the potential that existed to reduce emissions from buildings by up to 60%.
7. Some commercial suppliers such as Shell and BP saw renewable sources as an opportunity and he demonstrated how over half the world's energy supply could come from renewable sources by 2060.
8. He concluded by reminding Members that everyone had a part to play in reducing emissions and there were a lot of things that Wales could do. He said that his own personal view was that Wales might aim to be a zero net emitter of CO₂ and this could easily be achieved with the development of the Severn Barrage. Whilst he recognised the environmental issues associated with it he said that on balance it was a good solution and would also provide a stimulus to Welsh business.
9. In discussion with Members, Sir John Houghton agreed that the use of intermittent renewables provided an opportunity for storage facilities and in this field Wales had proven technology which could be exported elsewhere. He added that there needed to be further investment in renewable technology in the UK. 20 years ago there was 10 times the level of R&D that exists at the present time.
10. He said that even with immediate action CO₂ emissions would not stabilise much before the end of the century. If no action were taken, world scientific opinion was that in a few decades the situation would be very serious indeed. He added that some things would not be able to be reversed. The Royal Commission on Environmental Protection had recommended a 60% reduction in CO₂ emissions by 2050 and Sir John Houghton said that this could be achieved through a combination of improved efficiency, sequestration and the use of low carbon sources of energy.
11. On the subject of cleaner fossil fuels he made the point that combining an efficient coal-fired power station with CHP and exporting that technology to places like China and India could produce opportunities for Welsh industry globally. It could also contribute to the aim of making Wales a zero net producer of emissions.
12. He said that afforestation would never make an enormous contribution to reducing emissions and it was considered that a plantation half the size of Australia would be needed to mop up 10-15% over a 40 year period. He added that nothing, however, should be ruled out as a contributor and also highlighted biomass as a valuable resource. He also referred to sequestration technologies and said that in Norway they were currently pumping carbon dioxide back into rocks. The cost increase was significant, however, perhaps as much as 50%.
13. Sir John Houghton was asked what single measure would be his priority for

Wales and he said that he considered the Severn Barrage an effective contribution to the overall aim of reducing emissions. He said that the environmental concerns should be seen as less important than other changes which would inevitably happen in time.

14. In concluding the discussion, Jake Chapman welcomed Sir John Houghton's optimism and said that whilst technology could solve the problem, what was needed was the will. He considered that reductions by 2050 would need to be made through efficiency, renewables and improved transport efficiency. The cost of the necessary changes amounted to less than 1% GDP, with the costs of adaptation to cope with severe climate change being much greater than this. It was now a question of finding imaginative ways of producing effective results with everybody playing their part, no matter how small.

Item 3: Fiscal Variations

1. The Minister introduced the Paper by referring to the progress made in the development of fiscal variations and operating aids. He pointed to the various schemes that had been introduced and noted that there was further work to be done.
2. The view was expressed that while the progress that had been made was clearly welcome, it had been a long time in coming. Reference was made to the PricewaterhouseCoopers Report and the range of schemes that it had recommended should be considered. The report had referred to the need to take urgent action. Members wondered whether further announcements were in the pipeline or whether other options had been abandoned.
3. The Minister rejected these criticisms. He said that the PWC Report had simply offered a list of proposals that might be put in place but recognised that there were a range of difficulties facing many of them, including opposition from Treasury and European Commission, and that it was unlikely that all would be implemented. He hoped that the Committee would recognise that some were now in place, some were clearly not realistic options, and some were feasible and that he was pressing on with them.
4. Members noted that progress in introducing a Tax Credit for Research and Development within the UK was also very welcome to businesses in Wales and that the next stage was to look for regional variations in this.
5. Some disappointment was expressed that reductions in employers' NI contributions were not being pursued as these, alongside lower taxation rates, had been important in the development of the Irish economy. It was suggested that even if these could not be available generally, they might be an option for SME's. The Minister commented that the new Enterprise Support Grant had been developed specifically with the needs of small firms in Wales in mind.
6. Members wondered why it was necessary to wait until April 2003 for the SMART Wales programmes to be enhanced. Officials said this should not be seen as a

delay but simply a recognition of the time needed for the process of finalising the scheme – bearing in mind the changes at the WDA and the need to obtain European Commission approval. They emphasised that the existing scheme, which had proved very successful, would continue to be available in the meantime.

7. Members asked about the view within Treasury that it was too early to judge whether there was market failure in respect of the development of broad-band ICT infrastructure. They did not accept this judgement and considered that the evidence of difficulties in provision were quite clear.
8. The view was expressed that in addition to fiscal variations, changes in employment law in Wales could bring equally valuable benefits. Many companies still considered there to be major risks in taking on new employees - and the provision of greater flexibility in this regard could be a significant encouragement. There was a particular need in Wales to encourage one-man businesses to take the initial step of moving into becoming employers.

Item 4: WDA / WTB Remit letters

1. As the meeting had run over time, the Chair agreed to Members' requests that this item be considered at the next meeting on 16th January.

Committee Secretariat