

MINUTES

Date 16th January 02
Time 2.00 – 5.30pm
Venue Committee Room 3, National Assembly for Wales, Cardiff Bay

Attendance

Members

Constituency

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

Officials

Derek Jones	Senior Director, Economic Affairs, Transport, Planning & Environment
David Pritchard	Director, Economic Development
Emyr Roberts	EPD
David Hobbs	ICM
John Clarke	Chief Executive, WEFO
Phil Gray	WEFO
Caroline Turner	WEFO
Reg Kilpatrick	EPD

In Attendance

Peter Hinson	British Wind Energy Association
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Richard Ayre
Silven Robinson
John Lloyd-Jones
Bryan Riddleston
Andy Bull
David Fletcher
Jake Chapman

RG Ayre and Co.
British Biogen
Countryside Council for Wales
Council Member, CCW
Powys County Council
Pembrokeshire Coast National Park
Expert Adviser to EDC on energy review

Secretariat

John Grimes
Sian Wilkins

Clerk
Deputy Clerk

Apologies

Apologies were received from Alison Halford, John Griffiths substituted.

Item 1: Chair's opening remarks.

1. Declarations of interest were made by Christine Gwyther whose partner has a consultancy business, Dafydd Wigley who is the director of a small company and Brian Hancock who works in Health and Safety in a consultancy role.

Item 2: Energy Review

1. The Chair invited representatives from the renewables sector and from local government and CCW to present a brief introduction to their papers.
2. Peter Hinson said he was appearing before the Committee in his capacity as a director of the British Wind Energy Association and explained that BWEA represents all of the major companies involved in the wind industry. He outlined the main elements of his paper and asked the Committee to consider renewable targets for Wales as an important part of the review. He identified the opportunities that exist for rural diversification in the field of renewables.
3. Richard Ayre discussed the background to the current work being carried out in Pembrokeshire on the tidal energy project which had been supported by the Environmental Development Fund. He said that the project had attracted interest worldwide and the potential for tidal power was great. He highlighted the spin-offs for local industry in manufacture and steel fabrication.
4. Silven Robinson of British Biogen said that climate change should be seen as the biggest driver in the renewables sector and he identified the part that biomass

had to play in rural regeneration. Whilst the plants tended to be small there were 40 or so suitable sites in Wales and the resource base was enormous. He highlighted the need for capital investment and said that the main restrictions to development of biomass were organisational and economic.

5. John Lloyd-Jones of CCW said that they supported the need for a 60% reduction in CO₂ emissions and said that a twin-track approach was needed. He said that a massive increase in energy efficiency was needed and made reference to the possible savings that had been identified in Sir John Houghton's paper to the Committee, concerning savings in buildings. He added that the National Assembly should look, in the short-term, at reducing demand and increasing the development of on-shore and off-shore wind and in the medium to long term, support research and development for other technologies.
6. Andy Bull of Powys County Council highlighted the importance of small projects which could be replicated across Wales. He identified the technology that already exists in the areas of solar water heating, small-scale hydro and the potential for community owned wind farms. He said that biomass could provide a good source of energy for community heating and said that the technology had been proven in Finland and had the potential for employment spin-offs. He added that local support was needed for these projects as whilst there had been assistance already from Objective 1 the DTI was only able to support large scale projects.
7. David Fletcher of the Pembrokeshire Coast National Park highlighted the projects that had been supported through the Environment Development Fund and said that the National Park had been used as a test bed for a number of sustainable development projects. He said that there needed to be public investment in the field of renewables supported by political will, it was important to raise public awareness and he felt this could be achieved through demonstration projects with community involvement.
8. In the general discussion that followed Peter Hinson said that he considered off-shore wind a massive opportunity but plants both on-shore and off-shore would be necessary to reach the renewables targets. He added that off-shore wind was more expensive and created additional risk for developers. Most of the wind farms in Wales were built in the early 1990's and developments in the technology meant that new projects were more efficient.
9. On the subject of the TAN 8 review he said that whilst he agreed with the theory of sequential site priority he did not necessarily agree with the proposed order and highlighted the effect that prioritising brownfield sites would have on the rural economy. It was his belief that there should be more involvement from locally accountable bodies.
10. When questioned on the need for further study of the viability of a Severn Barrage, John Lloyd-Jones said that it was important to have as much information as possible on the subject. But he urged that this was not considered to the exclusion of all else and emphasised the dramatic effect that could be achieved through small-scale developments in rural areas. The effect of the Barrage on the

local tourism industry was raised by a member and it was noted that the area had been recently been put forward as an SAC. A member said that it would be a tragedy if a natural phenomenon such as the Severn bore were destroyed. Others commented that if global warming was to destroy parts of the natural habitat anyway then a balanced view would need to be taken. The Chair agreed that a further discussion on the Severn Barrage should be scheduled as part of the review. **[Action: Clerk]**

11. Members expressed concern regarding the perception that the Assembly called in the majority of planning applications for wind farms and asked whether the industry would be happy with specific designation of areas suitable for energy projects. Peter Hinson reiterated the need for elected and accountable members to make regional decisions on planning and questioned the subjective evaluation of landscape in TAN 8 asking 'who's landscape is it anyway?'. John Lloyd-Jones questioned the view of BWEA that they had 'opposed most wind farm applications in Wales' and said that CCW's role was to advise the Assembly and not to make the decisions. A Member asked on how many occasions the Assembly had discounted their advice and CCW agreed to provide the information to the member concerned.
12. The Minister advised Members that he was hoping to meet with UK Ministers to discuss the process involved in planning applications for large projects. He said that it should not relate just to wind farms and was likely to take some time before he had anything to report to the Committee.
13. It was noted that the Scottish Executive had managed to galvanise public support for renewables and had set themselves a target of 18% by 2010, the increase to come mostly from on-shore wind power. Completion of a new factory to build turbines had just been completed and approval had just been given for a 150MW site.
14. Members expressed an interest in the opportunities that the renewables sector offered for the education system. It was noted, however, that whilst there was some interest from Universities on specific projects, it could be difficult to interest people in projects before they existed. It was felt that there was scope for more practical education and skills training. Presenters also identified the need for general education concerning global warming and the need for increased production of energy from renewables. It was also expressed that the reasons behind the need for energy efficiency were not widely known and education was badly needed in this area.
15. Some Members felt that an important part of the review should be the consideration of targets for renewable energy in Wales and consideration should be given to state the target as a percentage of reduced demand. It was felt by one member that the BWEA targets were cautious. Some presenters felt that a target for renewable heat production should also be considered and urged the Committee not to fall into the trap of only thinking about electricity production. Peter Hinson said that he felt a target of 10% Welsh electricity from on-shore wind

by 2010 was realistic, however the BWEA targets in the paper had not been revised to take into account the potential from off-shore wind.

16. Concern was expressed regarding the environmental effects of both tidal and off-shore wind production. It was noted that off-shore wind farms created very little environmental impact and assessment was ongoing. The current siting of tidal installations were on solid rock bases which had no sediment and so did not create environmental problems. It was also noted that the transmission from off-shore wind sites might help reduce the costs for tidal projects. The point was also made that there was no adverse effect on local fishermen from either type of installation.
17. A member questioned whether forest residues would provide enough raw materials to support biomass in Wales and whether the use of quick rotation coppices would be necessary to support the industry. Silven Robinson believed that the resources in Wales were not limited by the amount of forestry residues. Whilst they would prove essential in getting a project started it would be possible to integrate organic waste, and energy crops as well. He said that Wales should have similar grants to the rest of the UK in relation to energy crops.
18. The Minister concluded the discussion by reminding everyone that the Assembly Government was aware of the concern regarding planning and they were trying hard to resolve the conflict. He said that planning conflict in the past had been about the needs of the developer versus conservation but global warming changed the focus and it was now necessary when making decisions to consider the future effects of global warming on natural habitats. He said it would always be necessary, from an economic point of view, to develop low cost generating areas for transmission to high usage areas and production could not be related solely to local demand in Wales. He also highlighted the difference in attitude to rural development that existed in Scotland and which drove their renewable energy agenda.

Item 3: Minister's report.

1. In introducing his paper the Minister added a few comments on events that had arisen since its issue.
2. The employment figures released that morning had shown that unemployment continued to drift gently downward in contrast to the UK figures. The exception to this was in Newport, which was now showing the effects of the Corus redundancies.
3. He also announced that Corus had decided to rebuild the blast furnace at Port Talbot and that ESM had been placed in the hands of the receivers.
4. Members expressed great concern regarding the announcement concerning ESM and the Minister said that he was quietly confident that given the excellent record they had on production costs and quality control they would find a buyer. He was not sure within which occupations the job losses would fall.

5. The Minister clarified the position regarding the recent announcement that the Rechem plant in Pontypool was to close. He said that the incinerator was being mothballed as the company was upgrading its incinerator in Southampton.
6. The Minister agreed to write to David Davies concerning the detail of BAE's repayment of launch aid and whether or not the public sector was making a profit on this investment. **[Action: ED Minister]**
7. The Minister confirmed that the Assembly was ahead of the other three Objective One regions in the UK in respect of operating aids. He said that officials had made good progress in this area. He also confirmed that they were on target to spend the full Economic Development budget this year.
8. A Member questioned why there was no mention in the Minister's report of the process followed in the DTI approval of the Cefn Croes wind farm and questioned whether the Assembly Government had asked for a public enquiry it would have happened. The Minister explained that the Assembly was a formal consultee, not a statutory consultee and any call for a public enquiry would have fettered the discretion of the Minister. The Member asked that clarification of the Assembly's role in respect of large wind farm approvals be provided to the Committee as detailed in the Action Outstanding from the last meeting. **[Action: ED Minister]**

Item 4: WDA and WTB remit letters

1. The Chair noted that the meeting was likely to go on beyond the scheduled finish time of 5.30 pm. Members agreed that in view of the business remaining they would continue until 6 pm. The Chair then invited members to comment on the Minister's draft Remit letters.
2. On the WTB letter, reference was made to the requirement placed on the Board in the current year's remit letter to consult with the industry on statutory registration . While it was acknowledged that work on this was in hand, it was suggested that the requirement, and the need to report, should be repeated within the 2002-2003 remit letter.
3. Members noted that the WDA letter proposed no increase in running costs and hoped that the Agency was content that they could meet their targets on this basis.
4. Members asked that the letter reflect the requirement for a balanced distribution of new job opportunities throughout Wales.
5. It was suggested that reference should be made to the key contribution made by SMEs to the development of the Welsh economy. It was suggested also that local government should be flagged up as a key player in economic development.
6. Members recalled that mid-way through the current year the WDA had indicated that some of their targets were unrealistic and had proposed significant reductions in them. They hoped that the current year's targets would be properly set from the beginning. While accepting the general point, the Minister said that in some areas it was difficult to set targets until a programme had been running for a while.

7. It was agreed that a commitment to sustainable development was incorporated within the Agency's strategic objectives and did not need to be repeated in the remit letter.
8. On the WTB letter, the view was expressed that there was no need to 're-notify' the Section 4 grant scheme as this had not been notified originally. Doing so might therefore risk losing the power. The Minister said that his understanding was that the scheme had, in fact, been notified but he would confirm this and would report in his next Minister's report. **[Action: ED Minister]**.
9. Members asked that the letter included reference to the strengthening of skills within the tourism sector.
10. A comment was made that an expenditure of £28m to create 400 jobs seemed poor value for money. Officials responded by saying that the target referred to jobs created/safeguarded specifically by the Board's capital grant scheme and therefore the job figure was realistic.
11. Members noted that both the WDA and WTB were involved with marketing Wales abroad and hope that their expertise and activities would be co-ordinated wherever possible. The Minister confirmed that where possible joint centres would be established by the two bodies.
12. The Minister agreed to incorporate these views within the final remit letters and to ensure members received copies of them at the time they were issued. **[Action: ED Minister]**.
13. In response to a question on a related matter, the Minister said that the Coalfields Community Task Force had written to Noel Crowley and Nick Whittington. He said he would circulate the letter to members.

Item 5: Structural Fund reporting including PMC reports.

1. Chris Chapman as Chair of Objective 1 PMC gave an oral report on their meeting of 14 December. She outlined the significant progress that was being made, the significant level of commitments and the number of developments in the organisational arrangements. She said that the performance under the programme in Wales was ahead of that in the English regions.
2. John Griffiths as Chair of the Objective 2 PMC reported on their meeting of 14 January and the progress being made with this programme. He also said that he had been standing in for Kirsty Williams at the Objective 3 PMC meeting on 10 December 2001 and reported progress being made under this programme. He noted the important role played by the partnerships and the lead bodies in promoting the programmes and said he wished to pay tribute to the substantial amount of work they had done in order to make the programme a success. (Copies of these oral reports are attached to these Minutes.)
3. A member outlined an analysis that he had done on the allocation of Objective 1

funds per head of population and the conclusion that there were wide variations between monies received by different local authorities. It was noted that there could be a number of reasons for this - including the support within an authority to assist with putting applications together. It was suggested that regional partnerships should be made aware of the areas where fewer projects were being pursued and that it was important to be more proactive to ensure that support goes to the areas where it is most needed.

4. John Clarke noted that while the Single Programming document was not expressed in terms of resources per head in an area, this data was useful. An enhancement to the WEFO computer system would enable this type of information to be provided more accurately in the spring. In the meantime he was cautious about drawing too firm conclusions from ad-hoc analysis.
5. There was a discussion about the current level of commitments and expenditure under Objective 1 and members noted that for Priority 3 (Community Economic Regeneration) and Priority 6 (Strategic Infrastructure Development) there was a substantial shortfall in the level of commitments compared with the Indicative Financial Allocations made by the European Commission and set out in the Single Programming Document. It was suggested that this was a consequence of the responsibility for Economic Development being carried out by the First Minister. The Minister dismissed this saying that the operation of the scheme fell to the respective partnerships. Delays had arisen because of the need to consider large and complex projects carefully. In respect of Priority 6, only a small number of projects could be supported and it was important to examine and prioritise these..
6. Some members did not fully accept this argument and said that in their view, the real cause was the delay in setting up the Infrastructure Partnership in the first place. Officials said that the Infrastructure Partnership was the last to have been established and this was because it was a complex body and had simply taken longer to set up because of the wide range of its responsibilities. Nonetheless, there was little doubt that the funds allocated to this programme would be spent - indeed the fear was that the budget would prove too small.
7. Members responded by saying that this ignored the point that the delay in setting up the partnership had led to a delay in aid being received by parts of Wales that needed it urgently. The view was expressed that application processes could be speeded up and bureaucracy reduced. John Clarke commented that this was already in hand.
8. It was agreed that the Minister would provide a report on this issue, as part of his Minister's Report, for a full discussion at the next meeting. **[Action ED Minister]**
9. On INTERREG 111A it was suggested that the Minister might wish to consider Caernarfon as a location for the headquarters. Officials responded that all the expertise for the programme lay with a small team based in Cardiff and there were no plans to transfer the activity elsewhere.

Item 6: Minutes of Previous Meetings

1. The Minister noted under item 3 that he had not used the word 'committed' as minuted in para 2.11 and said that any call for a public enquiry would have 'fettered the discretion' of the UK Minister in this regard. Subject to this amendment the minutes were agreed as a true record of the meeting on 17th December 2001.

Committee Secretariat