

**MINUTES**

**Date** 13 February 02  
**Time** 2.00 – 5.30pm  
**Venue** Committee Room 1, National Assembly for Wales, Cardiff Bay

**Attendance**

**Members**

Alison Halford  
Alun Cairns  
Chris Chapman  
David Davies  
Ron Davies  
Mike German  
Christine Gwyther (Chair)  
Brian Hancock  
Rhodri Morgan (Economic Development  
Minister)  
Dafydd Wigley  
Phil Williams  
John Griffiths

**Constituency**

Delyn  
South Wales West  
Cynon Valley  
Monmouth  
Caerphilly  
South Wales East  
Carmarthen West and South Pembrokeshire  
Islwyn  
Cardiff West  
  
Caernarfon  
South Wales East  
Newport East

**Officials**

David Pritchard  
Ron Loveland  
Mike Phelps  
Steve Marshall

Director, Economic Development  
ISG  
EcAD  
Statistical Directorate

**In Attendance**

Jake Chapman  
Steve Taylor  
Dr. Tom Shaw

Expert Adviser on Review of Energy  
Chair, Management Board – The Severn Tidal  
Power Group  
Consultant, Shawater Ltd.

## Secretariat

John Grimes  
Sian Wilkins

Clerk  
Deputy Clerk

### 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 – Severn Barrage

1. The Chair told members that this should be seen as a preliminary discussion and that both she and the Chair of the Environment Planning and Transport Committee had identified the need to discuss the project jointly in the future.
2. Steve Taylor provided a brief introduction to his paper highlighting that a Severn Barrage would add to the diversity of energy supply in Wales but said that given the time for construction it would not contribute to 2010 targets but could be available by 2015. He said that as the highest tides in the estuary would be reduced by the Barrage, it would help to mitigate the increased coastal erosion and flooding caused by global warming. He added that the Barrage should be seen as both a flood defence and a power generator.
3. Steve Taylor told members that the DTI had asked the Severn Tidal Power Group to put forward proposals for a scoping study to identify what had changed since the last major study in 1989. Their report had now been completed and was due to be submitted to the DTI shortly. The report recommended 13 areas for new study and Tom Shaw added that there was now a greater understanding of the environmental issues than there was in 1989.
4. Some members expressed concern that any new study should try to avoid conflict between sustainable development as seen by the power generators and that seen by the environmental agencies. Concern was also expressed that the Severn Estuary Partnership had not been involved in this latest report and members identified the need to gain local consensus and involve local people. Tom Shaw said that comprehensive consultation on the environmental impact had formed part of the 1989 study but it was recognised that any new study would need to address the issues now apparent as a result of increased recognition of global warming.
5. It was noted that whilst the 1989 study was initiated because of the rise in oil prices and concerns over supply, the Barrage was now more likely to proceed to meet environmental objectives rather than on economic considerations. This included both environmental protection and a contribution to a reduction in carbon

emissions. The Barrage should be seen as a "public interest" project that would be a world resource in terms of global warming.

6. Steve Taylor said that electricity from the Barrage could be produced at £60/MWh and could be sold at £27 per MW/h. The renewables obligation could offset at most £30/MWh, leaving a cost of around £3/MWh attributable to the social and environmental benefits. This should be seen as the net cost of providing flood defences etc. He also said that after the capital costs had been repaid, in approximately 60 years, the costs of producing electricity would then fall to about 1p per kw/h.
7. Members asked whether the Barrage scheme included provision for a fixed roadway or rail crossing and were told that the 1989 study did include such a provision but that this was before the second Severn crossing had been proposed. The decision on this would also need to have regard to the increase in the size of shipping currently using the estuary.
8. Steve Taylor told members that in the 1989 study it was proposed that during construction the project would generate around 35,000 jobs at the peak, although many of these could be in manufacturing off-site. Once operational the Barrage would have consequences for additional jobs in the Severnside area.
9. Members asked whether the estimated £12 billion for the Barrage would not be better spent on a vast range of other renewables projects. Tidal lagoons were also mentioned and a member wondered if the Assembly should be looking at supporting civil engineering projects to look at these and other similar technologies. Steve Taylor said that it was wrong to compare the Barrage with alternative, small-scale, renewables. The issue was not whether one form of renewable energy was better than another but that we must reduce carbon emissions and to this end the whole sector needed support. He also noted that by 2020 many large power stations would need replacing. He added that he was cautious about the economics put forward by Friends of the Earth concerning tidal lagoons and said he would let the Committee have a note outlining his view. Members also questioned his comment that one would need 9 or 10 very large wind farms to generate as much power at the Barrage and he agreed to provide further detail in this regard. **[Action: S. Taylor]**
10. A member questioned the problem of silt in the estuary and said that similar schemes throughout the world have failed because of silting. Tom Shaw said that there was a very small amount of silt in the estuary and it was anticipated that there would be no substantial build up. The estuary was not subject to degradation of soil from the rivers flowing into it.
11. Members were also concerned about the level of rockfill required for the project, but it was noted that in the previous study availability had been based on existing quarries. The rockfill would be needed from a source close to where the caissons were manufactured, these could then be floated down to the estuary. Tom Shaw agreed to write to the Committee with further information concerning this. **[Action: T.Shaw]**

12. A member asked whether it would be necessary to store water to provide system security. Steve Taylor said that the Barrage should not be classed as an intermittent producer of power as what it generated could be predicted and would be beneficial in terms of grid security. He also added that there were already two pump storage facilities in Wales and there would only be a need to increase their capacity if production of renewables exceeded 10%.
13. There was some concern regarding the reliability of the costings for the project and Steve Taylor confirmed that the cost estimates would have to be reviewed in any new study.
14. In concluding the discussion the Chair thanked the visitors for the very useful introduction to the subject and suggested that the Committee would return to the subject with the Environment Planning and Transport Committee in the future.

### **Item 3: Energy Review – Draft Report on Renewables.**

1. The Chair opened the discussion by explaining that the paper constituted the first draft of the main section of the Committee's report on renewable energy. The final version would need to include an introduction and annexes outlining the terms of reference, method of working and the people to whom the Committee had spoken and the visits they had made.
2. Members were generally pleased with the report, which they found very readable. They thought it was important that the introduction should make it clear they were looking first at renewables in an effort to clear some of the difficulties that investors in this sector had reported. It was also important to ensure that the business benefits for Wales were clearly identified.
3. Section 1: Members were broadly content but felt that the phrase "intergenerational and international" should be clarified. Members agreed that a glossary of terms should be included within the annexes to the report.
4. Section 2: Members felt it was important to be clear that alongside the increase in the amount of electricity generated from renewable sources there was a need to make improvements in energy efficiency. Changes to either of these would affect the percentage that energy generated in Wales in relation to consumption.
5. Section 3: Members discussed the table at paragraph 31 and commented that the figures for the UK and for Wales in the final 2 columns appeared to be on different bases. While these had been included at the suggestion of the Reference Group Members agreed that it would be clearer to do this in terms of broad relativities.
6. Members stressed that because renewable sources were generally intermittent one could not look solely at the costs of these. It was necessary to use a range of sources to ensure a regular energy supply. It was agreed that this, and storage issues, should be spelt out more explicitly in paragraph 33.
7. On paragraph 34, it was agreed that reference should be made to "wider economic and environmental implications". Paragraph 36 needed to refer to planning policies that were currently emerging within the Assembly.

8. Section 4: Members discussed the proposed target for the supply of electricity from renewables. It was noted that the existing Assembly target of 10% should be described as relating to "clean generation" (i.e. renewables plus clean coal technologies etc). The view was expressed that Wales ought to be setting itself a target that was demanding and in excess of the UK 10%. However, bearing in mind that at a non-UK level this percentage could be distorted by the closure of fossil fuel generation capacity, members agreed that the target should be set unambiguously in terms of terrawatt hours. Members were unsure what the appropriate level should be but noted the Expert Adviser's advice that a figure of 4 terrawatt hours for electricity production and that of 2 terrawatt hours for heat were very ambitious indeed. Members noted that the latter involved a significant level of energy crop production in Wales.
9. Concluding the discussion, the Chair said that she would arrange for the report to be revised to take account of these points and to clarify the various proposed targets. Members would have a further chance to discuss it at their next meeting, after which she hoped it would be possible to issue the report for consultation.

#### **Item 4: Minister's report**

1. The Minister gave a brief oral update on matters that had arisen since his written report had been produced.
2. Members expressed concern about the EC investigation into the RSA grant for Ford at Bridgend and the uncertainty that this caused both for Wales and for the Company. The Minister explained that in the automotive sector it was necessary to obtain EC approval to any proposed offers of RSA. This was sometimes a difficult and complex process and he was making every effort to provide all the information that the Commission needed and to pursue the case very strongly. Members gave their full support to the Minister in these complex negotiations.
3. In response to a question, the Minister said he was not in a position to comment on any dealings that the Welsh Office had had with Arthur Andersen prior to the formation of the Assembly. Nonetheless, recognising the Committee's desire to investigate this, he said he would find out what the appropriate procedures were.  
**[Action: ED Minister]**
4. Reference was made to the discussion at the previous EDC meeting and the question of whether the Vale of Glamorgan had wanted to be represented on the Harbour Authority. The Minister confirmed that although at the last meeting he had thought they were content with the current arrangement, he had since learned that this was not the case. The Committee strongly recommended that the Minister should write to the Harbour Authority urging them to look again at this matter. The Chair said that she was due to write following the discussion of the Harbour Authority Business Plan at the previous meeting and would raise this matter too. **[Action ED Minister, Chair]**
5. Members commented on various figures within the reports presented and asked

whether one could infer from these that GDP in Wales was continuing to decline relative to the UK. Officials explained the different ways in which these figures were derived, and the range of sampling errors. They said it was difficult to speculate from these on levels of GDP. They added that the figures for 2000 were expected to be published in June 2002.

6. On the issue of the Ebbw Vale/Cardiff rail link the Minister confirmed that Rail Track had indicated that they could not address the issue of the signalling at the Ebbw Junction at Newport until 2008. Members raised concern about the operational safety of the line to Newport but the Minister said that this must be a matter for the Health and Safety Executive.
7. Concern was expressed about the reported decline in the profits at the Royal Mint. Members wondered if this was as a result of undertaking a significant amount of work in the production of Euros. The Minister said he was not aware that it was making a loss. Whilst this fell to the Chancellor of the Exchequer rather than the Assembly, he confirmed he would look into it and report to EDC. **[Action: ED Minister]**
8. In answer to a member's question the Minister confirmed that the Assembly's policy on recruitment advertising was currently under review following criticism that the cost of advertisements was often not suitable for the position advertised.
9. The Minister confirmed that it was his understanding that the recent collapse of Enron would not have any adverse effect on companies in Wales.
10. The Minister agreed to provide the Committee with regular updates concerning the work of Finance Wales. He said that as they had only been operational for a short time he would consult with them to determine the most appropriate time to report. The Minister also agreed to provide an update on the current position concerning Business Connect. **[Action: ED Minister]**
11. On the subject of the Economic Research Advisory Panel the Minister confirmed that members' only remuneration would be for expenses. He added that the Committee would be able to make representations to the Panel on specific topics and that the outcome of research recommended by the Panel and agreed by the Cabinet would be reported regularly to EDC.
12. Reference was made to the Minister's explanation in his report concerning the decision not to ask the UK Minister for a public inquiry relating to Cefn Croes. It was noted that there were differing opinions on this issue.

## **Item 5 – Strategic Forward Work Programme**

1. Noting the shortness of time, the Chair said that members would be invited to give their views on the paper by e-mail.

## **Item 6: Minutes of Previous Meetings**

1. The Minutes of 30 January were agreed as true records of the meeting.

## **Committee Secretariat**