Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:
Committee room 2 – Senedd
and video conference via Zoom
Meeting date: 29 January 2026
Meeting time: 09.30

For further information contact:
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Hybrid

Private pre-meeting

09.15 – 09.30

Public session

09.30 – 12.20

1 Introductions, apologies, substitutions, and declarations of interest

09.30

2 Inward investment: Panel 5

09.30 – 10.30 (Pages 1 – 38)

Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning, Welsh Government
Russell Roberts, Deputy Director – Trade and Inward Investment, Welsh Government
Heledd Owen, Deputy Director – Marketing Tourism and Business, Welsh Government

Attached Documents:
Research brief
Evidence paper – Welsh Government

Break

10.30 - 10.40

3 Future of Welsh Steel

10.40 - 11.40 (Pages 39 - 86)

Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning, Welsh Government
Áine Gawthorpe, Deputy Director, Industrial Transformation and Foundational Economy, Welsh Government
Neil Surman, Deputy Director - Skills, Welsh Government

Attached Documents:
Research brief
Evidence paper - Welsh Government
Engagement report

Break

11.40 - 11.50

4 Local Growth Fund

11.50 - 12.20 (Pages 87 - 100)

Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning, Welsh Government
Liz Lalley, Director - Economic Strategy and Green Growth, Welsh Government
Thomas Smithson, Deputy Director - Economic Strategy and Regulation, Welsh Government

Attached Documents:
Research brief

5 Papers to note

12.20

5.1 Economy, Trade and Rural Affairs Committee report: Digging the Dirt: Improving Wales' Soil Health

(Pages 101 - 113)

Attached Documents:
Welsh Government response - 16 January 2026

5.2 Inter-Institutional Relations Agreement

(Pages 114 - 115)

Attached Documents:
Publication of the Memorandum of Understanding (MoU) between the Department for Energy Security and Net Zero (DESNZ) - Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs to the Chair of the Legislation, Justice and Constitution Committee - 19 January 2026
Meeting of the Inter-Ministerial Group for Environment, Food and Rural Affairs - Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs to the Chair of the Legislation, Justice and Constitution Committee - 20 January 2026

5.3 Inward Investment

(Pages 116 - 124)

Attached Documents:
Written evidence from Industrial Communities Alliance - 20 January 2026
Written evidence from Professor Riccardo Crescenzi, London School of Economics - 21 January 2026

5.4 Timetables for Bill scrutiny

(Page 125)

Attached Documents:
Letter from the Llywydd, and Chair of the Business Committee – 21 January 2026

5.5 Holyhead Port closure

(Pages 126 – 129)

Attached Documents:
Letter from the Chair to the UK and Irish Road Haulage Associations – 21 January 2026
Letter from the Chair to the Cabinet Secretary for Transport and North Wales – 21 January 2026

5.6 Global Centre of Rail Excellence (GCRE)

(Pages 130 – 131)

Attached Documents:
Response letter from the Secretary of State for Transport, UK Government – 21 January 2026

5.7 Banning peat compost

(Page 132)

Attached Documents:
Letter from the Chair of the Economy, Food and Rural Affairs Committee, House of Commons – 21 January 2026

5.8 **Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill**

(Pages 133 - 134)

Attached Documents:

Letter from the Short Term Accommodation Association (STAA) to the Cabinet Secretary for Finance and Welsh Language - 23 January 2026

6 Motion under Standing Order 17.42(ix) to resolve to exclude the public from the remainder of the meeting

12.20

Private session

12.20 - 13.00

7 Inward Investment: Consideration of evidence

12.20 - 12.30

8 Future of Welsh Steel: Consideration of evidence

12.30 - 12.40

9 Local Growth Fund: Consideration of evidence

12.40 - 12.50

10 Legacy report discussion

12.50 - 13.00 (Pages 135 - 138)

Attached Documents:

Legacy report discussion paper

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Welsh Government Evidence Paper

Inward Investment

15/01/2026

The Economy, Trade and Rural Affairs Committee is holding an inquiry into inward investment in Wales.

The Committee has invited the Cabinet Secretary for Economy, Energy and Planning to attend a scrutiny session on 29 January 2026. This paper is intended to inform the discussion by providing an update on policy developments in this area and actions that the Welsh Government has taken to attract inward investment and support economic growth in Wales.

The Welsh Government would like to thank the Committee for its interest in this area and its consideration of our approach to bringing investment into Wales.

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1. Introduction

The Welsh Government's approach to attracting inward investment forms part of our Economic Mission and International Strategy. Working in collaboration with key partners, we promote Wales internationally as a prime destination for investment.

1. Inward investment plays a critical role in the Welsh economy, with 1,545 foreign owned companies collectively employing more than 176,500 people[1] across Wales.

2. Since the publication of the International Strategy in 2020, there have been 280 investments by foreign-owned companies. These investments have created and safeguarded more than 24,000 jobs. In the last financial year (2024-25), 65 foreign direct investment projects were recorded, an increase of 23% on the previous financial year and the second highest increase of any nation / region of the UK.

3. 2024-25 saw 2,470 new jobs created in Wales as a direct result of foreign direct investment, which was a 30% increase when compared to 2023-24 and, again, the second highest percentage increase of any nation / region of the UK. A further 1,652 jobs were safeguarded - the highest across all of the nations and regions in the UK.

4. Our dedicated Inward Investment team in Wales works alongside our overseas teams and the UK Government's overseas network to identify new investment opportunities. Our Welsh Government overseas offices are strategically based in key markets across the world (USA, Canada, France, Germany, Belgium, Ireland, India, China, Japan, the UAE and Qatar). The overseas network supports Wales's global ambitions, including working with Welsh exporters and promoting Wales as an excellent place to establish and grow a business.

5. The Wales Investment Summit, which took place at the International Convention Centre Wales on 1 December 2025, showcased Wales as a prime

[1] Source: Inter-Departmental Business Register, 2024 (Office for National Statistics)

destination for international investment to over 250 high calibre investors from 29 countries, highlighting dynamic sectors (semiconductors, creative industries, green energy, digital technology, life sciences) and the Welsh Government's commitment to sustainable economic growth.

6. From the outset, our goals for the Summit were clear:

a. Attract new foreign direct investment (FDI) and strengthen existing relationships.

b. Position Wales as a hub of UK excellence, with priority sectors and clusters.

c. Link investors to future opportunities in regeneration, energy, infrastructure, and innovation.

d. Promote Wales's unique strengths: innovation, sustainability, culture and diplomacy.

7. These outcomes were achieved, both in the lead up to the event and at the Summit itself. Since the Summit was announced in October 2024, a series of major investment announcements totalling £16 billion have been secured for Wales.

8. Importantly, the Welsh Government does not restrict its work to attract inward investment just to foreign-owned companies. Companies that are headquartered elsewhere in the UK also make an important contribution to the Welsh economy. The 2024-25 results for investment in Wales from elsewhere in the UK show that 45 projects were created and safeguarded more than 3,200 jobs.

2. Approach to Attracting Inward Investment

The Welsh Government promotes Wales as an attractive investment destination by highlighting its market accessibility, skilled workforce, and academic excellence. Targeted international engagement showcases Wales's strengths in sectors where we have world-class capabilities. Stability, clear policies, and long-term planning build investor confidence, with ongoing aftercare ensuring Wales remains competitive and responsive to global business needs.

Welsh Government's approach to inward investment

9. The Welsh Government's inward investment propositions promote Wales's market accessibility, outstanding talent, and our academic and research excellence. Existing clusters of companies at the cutting edge of their respective sectors also provide testimonies saying that Wales is an outstanding investment location.

10. Through our dedicated Inward Investment team, and our Welsh Government overseas teams, we present very real opportunities to businesses to establish operations and invest into Wales. The Welsh Government also works with external partners, such as the UK and local governments and industry bodies, and we consider these to be an important part of our wider team.

11. We proactively promote Wales overseas, specifically in those areas where Wales demonstrates world class capability, including compound semiconductors, cyber security, life sciences, clean energy, advanced manufacturing and fintech.

12. We have developed targeted marketing propositions which support our in-market engagement activity of a Cymru Wales presence at an annual programme of global trade events. The Welsh Government also hosts inward visits for potential investors, developing bespoke programmes which showcase how Wales can support the company's requirements.

13. Our dedicated Cymru | Wales brand Trade and Invest website[2] provides a portal to promote Wales and engage investors. Overall, we are working to ensure that Wales is visible and on the radar of global business decision-makers.

14. At the recent Wales Investment Summit, Welsh Government Ministers held around 50 meetings with international businesses and investment leaders. The strongest and most consistent feedback from these meetings was about the importance of stability when it comes to deciding on where to invest.

15. Investors made it clear that they are seeking an environment with clear policies, strong governance and where long-term planning is supported. These are areas where the Welsh Government provides real confidence. One of the key messages used in our proposition to investors is about Wales's stable regulatory framework and our long-term commitment to economic growth and innovation, as well as access to Ministers and decision-makers.

16. We know that cross-government action across a range of policy areas is critical to ensure that we can strengthen our economy through the attraction and retention of inward investment. The function is led by a dedicated Inward Investment team, which works alongside our Overseas Network, to target and source investment leads. The Inward Investment team works with the potential investor at the start of their investment journey to identify any specific needs and explore how the Welsh Government can support the company through actions which may include introductions to wider Welsh Government teams, including those focussed on skills, academia or innovation, for example.

17. Once the investor reaches the decision-making stage of their journey, they are allocated a dedicated relationship manager within the wider Economy team who will support the enquiry, ultimately with the aim of securing the investment. This partnership approach ensures continuity for the customer. Importantly, the relationship manager will also maintain the Welsh Government's relationship with the company throughout its time in Wales.

18. The relationship manager acts as a single point of contact and gateway to Welsh Government support. They work with a portfolio of existing companies in the region, gaining insight and market intelligence to help in delivering against economic ministerial priorities. They support projects as they

[2] www.tradeandinvest.wales

transition through the due diligence process and ensure that the correct governance and financial procedures have been adhered to.

19. Relationship managers also contribute to local authority and wider economic development / sector activity - they deliver business support packages including the full array of Welsh Government and partner offerings.

20. To support the promotion of Wales, the Business Marketing team also undertakes several functions, ranging from managing the Cymru | Wales brand, Trade & Invest website, a targeted events programme, and content creation through to delivery across social media channels.

21. Finally, other teams within the Welsh Government form part of the virtual 'Team Wales' supporting the investment function, including Innovation, Property, and Skills. Their involvement, both strategically and on an enquiry-by-enquiry basis, is coordinated through the Inward Investment team. Similarly, teams across the Welsh Government are also brought into investment discussions where, for example, policy direction or procurement present investment opportunities, such as in Energy, Transport, Decarbonisation or waste efficiency.

Targeting sector strengths

22. The Welsh Government's dedicated Inward Investment team has sector leads who, through their understanding and development of the value proposition, and knowledge and relationships with Welsh and UK stakeholders plus the broader business ecosystems, promote their respective sectors through events and activities, both in the UK and internationally. They work alongside the Welsh Government's overseas network in markets, supporting them to promote sector strengths amongst clusters, companies, stakeholders and industry fora.

23. We deal with the full range of enquiries; however, our proactive areas of focus are areas where Wales has international class capabilities, including:

a. Cyber security.

b. Compound semiconductors.

c. Fintech.

d. Life sciences.

e. Marine energy.

f. Future mobility/next generation transport manufacturing (including electric and autonomous vehicles).

24. The Welsh Government also works closely with the UK Government, in particular Department for Business and Trade (DBT) teams in the UK and overseas, to ensure that the UK Government network promotes Wales to potential investors. We have sectoral strengths which closely align with the UK Government's Industrial Strategy, where we want to work with the UK Government to ensure that Wales is seen as a location of choice - for example ensuring that the expertise we have in compound semiconductors is recognised at a UK-level.

25. Our joint working with the UK Government is demonstrated through place-based initiatives designed to magnetise investment. Initiatives include the AI Growth Zones positioning Wales as a leader in digital transformation; Investment Zones with specialisms in advanced manufacturing and semiconductors in NE and SE Wales; and clean energy as a focus of Freeports in Anglesey and SW Wales.

Barriers to investment

26. The global investment environment is challenging. Global investment flows have decreased since 2015 for a variety of reasons: the pandemic; increasing competition from other nations which are trying to secure internationally mobile projects; uncertainty caused by fluctuating trade tariffs and initiatives to disincentivise companies from investing outside of their home country; and a volatile geopolitical environment and global conflict have all had an impact on investment flows in recent years.

3. Ongoing Support for Investors

The Welsh Government plays a pivotal role in supporting existing foreign investors in Wales. Comprehensive aftercare includes dedicated relationship managers, funding for training and innovation, supply chain support, and tailored advice to help companies grow and embed themselves within the Welsh economy.

Welsh Government's ongoing support to investors

27. The relationship management function within the Welsh Government's Business & Regions team plays a lead role in providing support to existing investors that are looking to grow in Wales, as part of their broader company engagement function.

28. Since Welsh Government records began in their current format in 2012-13, 62% of investment from foreign companies in Wales has come from existing investors so this is a crucial part of the investment offer to retain and grow foreign-owned companies in Wales.

29. Relationship management and aftercare perform many functions, including:

a. Funding for training and staff development.

b. Support for training & recruitment through established networks.

c. Apprenticeship scheme support.

d. Property Development Solutions.

e. Funding for Innovation and R&D through Smart Cymru.

f. Funding to Universities to support collaborative R&D with company.

g. Dedicated Relationship Manager throughout project and beyond with aftercare support.

h. Supply Chain Development Support.

i. Working to find solutions to break down barriers.

j. Advice on the Economy Futures Fund, which has supported many overseas investors to create and retain jobs.

30. The Wales-based business teams work with existing foreign-owned companies to ensure they become embedded within the broader economy and make the best possible case for bringing their future expansion investment to Wales.

4. Inward Investment Data Sources

The latest official statistics from the Department for Business and Trade show that FDI projects into Wales for 2024-25 increased by 23%, contrasting sharply with a 12% decline across the UK as a whole.

Data sources

31. The Welsh Government collates data on investment from overseas companies and those headquartered elsewhere in the UK. Wales's Foreign Direct Investment (FDI) results are reported to the Department for Business and Trade (DBT) on an annual basis. DBT will publish the collated FDI results for the UK in its annual report[3], usually around June/ July. All projects reported to DBT undergo a rigorous independent check to ensure that all UK regions are reporting consistently and they meet set criteria. In the last few years, the DBT data has gained 'official statistics' status meaning that it now forms part of the Office for National Statistics economic data.

32. Data on the number of projects and associated jobs in each UK region is contained within the DBT annual report. Due to its classification as official statistics, the Welsh Government cannot publish any additional information beyond that which is contained in the annual report.

33. It is important to set the above figures within the broader context of international investment flows. Whilst flows have increased post-Covid, they have, at best, been stubbornly flat, with the global FDI market in 2024 impacted by growing trade tensions, significant policy uncertainty and geopolitical divisions.

34. In 2024, the OECD highlighted a 1% increase on 2023 levels, whilst UNCTAD's World Investment Report 2025 delivered a more sobering assessment as foreign direct investment was seen to have fallen by 11% in 2024 with infrastructure investment slowing and industrial investment under strain. The uncertainty caused by global events was reflected at the UK level with a decrease in the number of total projects landed (down 12% on 2023-24) and jobs created (down by 3%).

[3] Depart for Business and Trade Annual Report 2024-25

35. With this background context, the fact that Wales has, for the third consecutive year, witnessed an increase in investment project volumes is a significant positive.

36. It is also important to note that these figures are for foreign direct investment only and, when looking at UK investment into Wales, the picture is equally positive with growth in both investment projects and the number of jobs to be created. The UK investment figures are not provided to (nor published by) DBT but the Welsh Government uses the same verification criteria given to FDI to ensure consistent standards are applied.

37. Such statistics provide a further endorsement to Welsh Government's position on inward investment and our targeted approach in promoting Wales and our capabilities on the UK and global stage, as part of the Economic Mission and International Strategy.

5. Conclusion

By focusing on sector strengths, international engagement, and ongoing support, Wales is well-positioned to attract and retain investment, drive economic growth, and respond to future opportunities and challenges.

38. The Welsh Government demonstrates a proactive approach to attracting and retaining inward investment in Wales. We have demonstrated a strong performance in recent years, experiencing significant growth in inward investment, with a 23% increase in FDI projects in 2024–25, contrasting with a decline across the UK. This growth has resulted in thousands of new and safeguarded jobs, underlining Wales's appeal as an investment destination.

39. There is a clear strategic focus on international engagement to support investment. Our approach is rooted in the Economic Mission and International Strategy, targeting sectors where Wales has world-class capabilities. Our Wales-based teams, international offices and targeted marketing campaigns have raised Wales's profile globally, supported by events like the Wales Investment Summit.

40. Effective collaboration between Welsh Government teams, UK Government departments, and external partners is central to sourcing and securing investment. Our dedicated Inward Investment team, overseas offices, Wales-based relationship managers and cross-government coordination ensure that investors receive tailored support throughout their journey.

41. We are not complacent. The recent Wales Investment Summit has provided investors with the opportunity to feedback on what they would like to see from Wales. Investors have highlighted the importance of a stable policy environment, clear governance, and long-term planning; our commitment to these principles has been a key factor in building investor confidence and attracting high-value projects but the Summit now presents an opportunity to build on this.

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Welsh Government Evidence Paper

Steel in Wales

29/01/2026

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1. Introduction

This paper provides further evidence for the Economy, Trade & Rural Affairs Committee's Inquiry into the steel industry in Wales.

Domestic steel production is of strategic importance to Wales and the rest of the UK. It underpins key sectors of critical importance to the economy of Wales, including manufacturing, construction, and the renewable energy sectors.

2. Steel in Wales

Operating conditions for the Wales-based steel sector continue to be challenging. These include matters affecting trade, energy prices, carbon mitigation measures, and global overcapacity. All of these impact on the sector's ability to compete both domestically and internationally.

The EU Carbon Border Adjustment Mechanism 2026 introduced on 1 January will create additional costs and increase the administrative burden for steelmakers.

Following the change of ownership of Celsa Steel UK. which was completed in April 2025, 7 Steel UK continues to invest in technologies which support decarbonisation and the production of low-carbon steel.

Tata Steel UK (TSUK) is now in the construction phase of its transition to electric arc furnace (EAF) steel production. By 2028 both Wales-based steel producers 7 Steel UK and TSUK will be producing low-carbon steel using scrap-fed technologies which enables the recycling and reuse of steel products.

Liberty Steel is no longer operational in Wales.

3. 7 Steel UK

In addition to the investment in a state-of-the-art shredder, which became operational last year, 7 Steel is advancing its Hydrogen Energy Mill project by installing new furnace infrastructure which can operate on up to 100% hydrogen as an alternative energy source.

The company is operating within challenging trading conditions, especially concerning the construction market and is looking to grow its EU export markets.

4. Tata Steel UK (TSUK)

The First Minister and I attended TSUK's ground breaking ceremony at the Port Talbot site on 14 July, along with the Secretary of State for the Department of Business and Trade and the Secretary of State for Wales. This marked the start of the construction phase of Tata's £1.25bn EAF project.

Several other previously announced projects as part of the transition work are also underway at Port Talbot - the Thin Slab Caster life-extension project, the upgrade to the Hot Strip Mill and the Acid Recovery Plant project, part of the new pickle line. A new contractor village is also under construction at the site. In addition, a major project is being undertaken by the National Grid to build new electrical

infrastructure capable of powering the EAF. Piling is beginning in January to underpin the installation of the new assets at the site.

The EAF is expected to be operational in December 2027. According to TSUK, the construction phase could create up to 500 new jobs, providing opportunities for local workers and supply chain companies. Several contracts have been awarded to local firms, as well as specialist contractors to install new infrastructure at the site.

5. TSUK Transition Board

We continue to support the Transition Board and its partners to deliver the required support to the people impacted by Tata's transition.

We welcomed the additional £22m funding provided by the UK Government, which will consolidate the existing funding for skills training, business start-ups and business growth.

Business Wales

Working with Neath Port Talbot Council, the Welsh Government's Business Wales service plays a critical role in supporting the delivery of Transition Board funds, which include Supply Chain, Business Start-Up, and Resilience and Growth Funds. Business Wales provide dedicated advisors and expertise to support individuals starting a business and impacted businesses, including supply chain companies to prepare business plans and undertake relevant diagnostics prior to referral to the Council, who lead on the applications and funding awards.

6. Welsh Government Support

The Welsh Government continues to directly support skills development in the Wales-based steel sector, including for employees affected by TSUK's decision to move from blast furnace steelmaking to lower-carbon EAF production.

Support for People Impacted by Redundancy

Employability and Skills Programmes

In the period prior to the launch of the UKG-funded Employment and Skills Support Fund, the Welsh Government's ReAct Plus Programme was able to provide immediate support to 58 Tata employees and employees in the Tata supply chain facing redundancy (Tata 17, Supply Chain 41).

The Welsh Government modelled additional budget for employability programmes in readiness for the reduction in the Tata workforce. However, the introduction of the Employment and Skills Fund meant the demand for Welsh Government support was lower than anticipated. When the UKG funds end, Welsh Government support will continue to be available to those who require it from ReAct Plus, Communities for Work Plus, and Working Wales.

The Community Union Support Centre

In September 2024 Community Union set up a Support Centre in Aberafan Shopping Centre for anyone affected by the changes at Tata, including family

members. The set up of the Centre was supported by £78,318 from the Welsh Government to cover rental costs for a 3-year period. More than 3,000 people have attended the Centre since it opened.

In Work Support for Steel Companies and Supply Chain Employees

Personal Learning Accounts

The situation at TSUK is an example of how the Welsh Government's Personal Learning Account (PLA) Programme can be used as an effective programme to support emerging issues and attempt to get ahead of potential periods of unemployment by reskilling or up-skilling those impacted at Tata and its supply chain into different areas of work. Since the introduction of the Tata PLA intervention in April 2024**,** the latest data shows that more than 1,000 Tata and supply chain employees have accessed over 1,300 learning programmes.

Wales Union Learning Fund (WULF)

In addition to PLA support, through the steel unions WULF has provided invaluable support to Tata workers and its supply chain employees. The latest available data indicates that since April 2024 WULF has supported more than 800 Tata workers to enhance their skills.

Workers at 7 Steel UK (formerly Celsa Steel) have also received support, bringing the total number of workers in the Wales-based steel sector supported by WULF since April 2024 to more than 900.

Apprenticeships

Over the last eight years the Welsh Government has provided continuity to apprenticeship delivery for more than 1,400 Tata Steel apprentices, equating to funding of more than £12.2m. Over the same period, more than £1.5m has been provided to 7 Steel UK to support more than 140 apprenticeship starts.

7. Steel Trade

Matters affecting steel trade are the number one priority for Wales's steel producers in our dialogue with them. The EU proposals have the potential to affect the UK now, even before they are formally enacted, by diverting excess steel into the UK market, placing further pressure on domestic producers as they continue to navigate challenging market conditions. In addition to resolution on the EU's proposal an immediate – and workable – resolution is needed on the US steel quota arrangements that have been long promised under the UK-US Economic Prosperity Deal.

EU Measures on Steel

The EU is our closest and strongest trading partner on steel, and a strong case needs to be made for the EU to preserve our existing arrangements, especially at a time when our sector is transitioning to net zero.

The Cabinet Secretary for Economy, Energy and Planning has engaged with UK Government Ministers on the steel measures with the most recent exchange on the 08 December.

Welsh Government officials discuss the new EU proposals regularly with their UK Government counterparts, with the most recent meeting taking place on 12 December. We will maintain close liaison with the Department for Business and Trade on this matter.

The EU Carbon Border Adjustment Mechanism has been in force since 01 January. This will also impact the export of steel goods to the EU. The UK does not plan to introduce the UK Mechanism until January 2027. This leaves the UK open to further trade diversion in the year where no UK equivalent is in place.

US Tariffs on Steel and Aluminium

The US is the UK's second largest steel export market after the EU. We welcomed the announcement by the US in June that tariffs on UK steel into the US will remain at 25%, rather than the 50% that the US has imposed on other countries.

The inclusion of melted and poured rules regarding the origin of steel in either the EU or US trade measures will affect TSUK while the Company continues to import steel slab and coil from within the Tata Steel Group either from the Netherlands or India during its transition to EAF steelmaking.

The First Minister and Cabinet Secretary for Economy, Energy and Planning have held meetings with the UK Government and asserted the need for both governments to work together on the UK's negotiation on the US tariffs to reflect the impact they have on the steel sector in Wales.

8.The UK Steel Strategy

The UK Government is due to publish the UK Steel Strategy in late January. Its aim is to establish a clear and ambitious long-term vision for the steel industry and set out the actions needed to get there. It will articulate what is needed to create a competitive business environment in the UK with the aim of attracting new private investment to expand UK steelmaking capability.

The Welsh Government continues to work with the UK Steel Council and looks forward to attending the Council's Working Groups on policy development to ensure Wales has full engagement in ensuring future UK Government decision-making will support the steel industry in Wales to prosper and grow.

9.The National Wealth Fund (NWF)

The NWF provides the opportunity for strategic investment by our steel companies to support the future of steelmaking in Wales. Both steel companies in Wales, 7 Steel UK and TSUK, are already investing heavily in decarbonisation projects and have received a significant amount of UK Government grant funding (rather than NWF support) towards these costs.

Current trading conditions for steelmaking are difficult. Opportunities for further investment are being considered, although the timing is uncertain.

We understand there have been broad discussions between steel companies in Wales and the NWF. However, the share of the fund made available to the steel sector in Wales is not guaranteed and is dependent on the steel companies

applying to the programme. As such the mechanism does not provide a source of funding or investment in the sector more broadly.

10. Scrap Metal

When TSUK transition to EAF in late 2027 both Tata and 7 Steel will be reliant on scrap metal. Therefore, the supply of sufficient high-quality scrap for UK steel producers, including those in Wales is of increasing importance. Work is underway through the Steel Council to look at how domestically produced scrap metal can be secured by our steel companies from what is currently an export driven market. We understand the UK Steel council will establish a dedicated Working Group regarding the reuse of scrap steel.

Wales has well-established capability and expertise regarding steel research and development, which provides a strong base to support the current technology changes within the steel industry. Switch Net Zero Wales, a network of Welsh universities is driving research and innovation for industry's decarbonisation and Net Zero transition.

Given that scrap metal is a strategic raw material and will be in increasing demand, especially in South Wales, we would like to see steel research and development prioritised within the Steel Strategy. We believe Wales's academic capability should also play a full role in supporting the industry to adopt the technology changes necessary for decarbonisation.

11. Procurement

The Welsh Government's policy on steel is set out in Welsh Procurement Policy Note (WPPN) 008, which applies to projects with a value of more than £3m and aligns with the Well-being of Future Generations (Wales) Act 2015, Procurement Act 2023 and relevant Wales Regulations, and the Social Partnership and Public Procurement (Wales) Act 2023. This promotes key principles such as sustainable procurement and early engagement with UK steel producers to strengthen domestic industry and reduce carbon emissions.

The Welsh Government is introducing annual steel demand reporting in early 2026. A revised WPPN will be published, detailing a structured approach to reporting, aligning with national policy to support domestic industry. This policy will apply to projects with a value of £3 million and above.

Forward-looking, and retrospective reporting by Welsh public contracting authorities aims to encourage early and open engagement with the steel sector, ensuring both the Welsh Government and suppliers have the information needed for effective planning and delivery.

Welsh Parliament
Citizen Engagement Team

After the Furnace: Stories from Welsh Steel Communities: Engagement Findings

January 2026

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1. Engagement Summary

The following engagement summary offers an overview of the engagement programme design, delivery, and key findings.

Background

1. The Economy, Trade, and Rural Affairs Committee is conducting an inquiry into the provision of, and access to, support for individuals affected by the Tata Steel redundancy waves that began in September 2024.

2. The Committee wished to hear directly from those made redundant by Tata Steel. The Citizen Engagement Team facilitated interviews, both individual and group, with people with this lived experience.

3. This report summarises the perspectives shared by this target audience.

Objectives

4. The objective of the engagement sessions was to deepen the Committee's understanding of the benefits and potential barriers faced by this demographic when accessing support.

Methodology

5. This study constitutes a bounded qualitative case study focused on individuals made redundant during the Tata Steel redundancy waves beginning in September 2024. The case is focused on the post-redundancy period with workers with lived experience of redundancy, within a targeted geographical area. It explores their experiences of accessing employment and welfare support.

6. Data were generated through a small number of semi-structured individual and group interviews, producing in-depth, context-specific insights intended to inform parliamentary scrutiny rather than generate generalisable findings.

7. To enable participants, engagement was conducted on individual requests, mindful of those preferring face-to-face, phone or online sessions.

8. The engagement comprised of the following:

- 1 face-to-face group interview
- 4 telephone interviews
- 2 online interviews

9. Notes of each session are available to Members upon request.

10. At engagement sessions, a semi-structured interview approach was used. Questions used to structure the sessions were shared with participants before the sessions. These can be found in Annex 2.

11. Interviews were conducted to ensure people could talk openly about their experiences in private, creating a safe space for individuals to share often distressing accounts..

12. Suggested solutions from participants can be found within the body of the report and in Annex 1.

Participants

13. Participants were recruited through gatekeeper organisations and local representatives, using a snowball sampling approach. This method involves initial participants referring others within their networks, enabling the inclusion of individuals who might otherwise be difficult to reach. A list of supporting organisations is provided in Annex 3.

14. A short "expression of interest" survey was set up for anyone wishing to take part; this was available online or over the phone. The survey identified eligibility and requirements for those interested in taking part.

15. Of the 11 participants, the sample included a range of characteristics, though not all participants chose to share these details:

- Location: 6 are from South Wales West (including Aberavon, Neath and Ogmore constituencies), 1 is from Mid and West Wales (Carmarthen East and Dinefwr), and 1 is from South Wales East (Blaenau Gwent).
- Age profile of participants: one was aged 25–34, one was 35–44, two were 45–54, and five were 55–64.

- Gender: 8 identified as male, 1 identified as female.
- Work profile at Tata: 1 Technical, 1 Supervisory and Mid-level Management, 1 Contractor, 2 Specialist, 3 Operational roles.
- Access to support: 4 had not accessed support, 4 had accessed support 1 wasn't sure.

Ethical considerations

16. This engagement programme adhered to the standards set out in the Market Research Society Code of Conduct and complied with relevant data protection and safeguarding legislation to ensure the ethical treatment and privacy of all participants. To ensure a participant-led approach, we offered face to face sessions (where possible), telephone and digital interviews, as well as offering engagement sessions at short notice and at the convenience of the participants.

Summary of the Engagement Findings

> *"The steelworks is not 'in' the community, it "is" the community."*

17. The engagement revealed seven key themes and cross-cutting themes affecting individuals impacted by Tata Steel redundancies:

Theme 1: Emotional impact, identity and community cohesion

18. Redundancy was described as a profound loss of identity and purpose, particularly for older workers. Participants expressed grief, anger, and mistrust toward Tata, unions, and governments (UK and Wales). Community pride and resilience were evident, but feelings of abandonment were strong.

Theme 2: Access to support from local providers

19. Experiences with the Community Support Centre in Aberafan shopping centre were mixed – participants were positive when staff were proactive, but barriers included visibility, travel costs, and perceived eligibility issues for those outside Port Talbot.

Theme 3: Funding to set up a business - benefits and barriers

20. While the UK Shared Prosperity Fund enabled business creation, participants faced complex forms, digital access challenges, and slow reimbursements, creating cashflow pressure.

Theme 4: Funding to retrain or increase skills

21. PLA was praised for enabling career progression, but ReAct+ was seen as stressful and poorly timed. Early access to training and clearer pathways for older workers were highlighted as critical.

Theme 5: Support that led to employment

22. Volunteering often led to paid roles, and personal networks were more effective than formal channels. Some reported being prevented from job searching while still employed at Tata, but while at risk of redundancy.

Theme 6: Mental health support - gaps, delays and trust

23. This support was perceived as insufficient, with unclear referral routes and long waits. Loss of workplace counselling compounded the issue. There was a feeling that mental health and well-being must be prioritised alongside practical support.

Theme 7: Financial strain, contractors and cash flow

24. Business founders faced cash flow issues due to reimbursement delays. Debt advice was needed but rarely mentioned, and contractors - working externally -may be unaware of available support despite likely being affected.

Cross-Cutting Themes

25. Poor communication during the wind-down and perceived favouritism by Tata Steel for certain employees at risk of redundancy undermined this group's trust in the redundancy process and the institutions running it.

26. Participants called for clearer, proactive contact systems and visible local champions for Mental Health. They felt this would build trust with a strong local presence.

27. Further transparency of spending of the funding was called for by participants.

Participant Sentiment

28. The depth of emotion expressed during engagement sessions, particularly anger and grief, was unusually pronounced for a policy engagement context, underscoring the profound personal and cultural significance of steelworking within affected communities. The strength of feeling observed was evident through tone of voice, language, and the overall atmosphere during sessions, and is reflected in the sentiments outlined below.

- Anger: Voices were raised; this stemmed from a disbelief at the closures or the way redundancies were handled.

> *"Steel workers don't want charity, they just want an opportunity to work…Never in my lifetime did I think I'd see our furnaces die."*

- Guilt: Felt by those involved in negotiations that failed to deliver.

> *"They promised us the world and delivered nothing…I carry that guilt."*

- Sadness & Grief: Redundancy equated to bereavement; some participants cried in sessions.

> *"I've felt hopelessness, I've felt useless…It's hard to talk about it even now."*

- Frustration & Confusion: Linked to complex funding processes and delays.

> *"My SPF claim took me 8 months…why can't they pay those guys direct?"*

- Abandonment: Concerns about fairness and lack of local input amplified mistrust.

> *"This government promised millions…they don't listen to the people who know."*

29. Despite hardship, a strong community ethos persisted:

> *"Being part of the steelworks is being part of a family."*

30. Participants prioritised younger generations' futures over their own.

Thank you to everyone who contributed to the programme of engagement, particularly the participants who made time to be involved.

2. Engagement Findings

31. At the end of the themes below, we present solutions suggested by participants during the engagement sessions. All solutions can be found in Annex 1.

Theme 1: Emotional impact, identity and community cohesion

32. Participants described feelings of grief, anger, hopelessness and abandonment, alongside pride in their community and signs of emerging resilience.

> *"It broke my heart leaving my job."*
>
> *"Our community was let down, our workforce was let down. Our way of life has gone."*

33. Many equated redundancy with grief and loss of purpose, particularly for older workers or those with long service. Several also expressed mistrust of Tata, unions, and both the UK and the Welsh Government, as well as frustration about a lack of transparency with regard to decision making and funding allocation.

> *"I don't feel Tata has supported anyone as much as they should have."*
>
> *"They [the government] promised us the world and delivered nothing."*
>
> *"Nobody seems to know where this money has gone." (in terms of the mental health allocation)*

Solutions

- Build trusted local presence (community ambassadors; consistent, human contact).

- Proactive well-being check-ins at 12–18 months post-closure when pinch points arise.

Theme 2: Access to support from local providers, i.e. Community Support Centre in Aberafan shopping centre, The Opportunity Hub, NPT Employability or the Job Centre

34. Experiences of the Community Support Centre were mixed but often positive when staff were persistent and practical.

> *"It's been a godsend to me, being able to access this training and the support from the Hub."*
>
> *"They phoned me back, got in contact, text me…they didn't leave it go, they were a driver."*

35. Barriers included visibility and location (a public shopfront felt too exposed); a limited face-to-face option elsewhere, and experiences of feeling deflated or unseen by the staff at the Community Support Centre.

> *"I don't think it's in the right location…It's too visible."*
>
> *"I didn't get much out of the Community Hub…they gave me a number to ring…got a bit deflated."*

Issues for those outside Port Talbot

36. Travel distance and parking costs were significant barriers, with some reporting confusion about eligibility linked to residency in Port Talbot.

"For me, it's a 66-mile round trip to get to the Community Hub…travel and parking will impact others."

"Some of the boys even said that they were told that they weren't eligible for support because they didn't live in Port Talbot. This did affect my motivation to reach out to the Community Hub."

Solutions

- Satellite hubs and popup days in trusted local community venues (sports clubs, local projects), including shift-friendly hours. And a similar offer of a part-time hub in other central points along the M4 for affected groups beyond Port Talbot.

- Travelling case workers, plus parking concessions or travel vouchers for those coming from outside Port Talbot.

- Employer/union-led letters/flyers distributed to every affected worker, acknowledging this audience may be in shock initially, but signposting clearly what they can access next.

Theme 3: Funding to set up a business - benefits and barriers

37. When accessed via Neath Port Talbot Council, the UK Shared Prosperity Fund (referred to as SPF by participants) enabled business creation and skills acquisition, with strong praise for the NPT Economic Support Team – a council-based team.

"I've had a lot of support to set the business up…fantastic, conscientious and really supportive."

"The Economic Support Team…all they want to do is help."

38. However, participants consistently flagged overly complex forms, assisted digital needs, upfront payment requirements, and slow reimbursements, contributing to cashflow issues.

> *"There were spreadsheets and things like that…well, no, it's paper and pen for me."*

Solutions

- Simplify the application and provide in-person assisted digital help. Or where this is already provided, promote it more clearly to eligible participants.

- Allow direct supplier payment or staged claims by default: *"Why can't they pay those guys direct?"*

- Determined and well communicated targets for reimbursement times (e.g., 10–15 working days).

Theme 4: Funding to retrain or increase skills (PLA, ReAct+, employability support)

39. The Personal Learning Account (PLA) system linked to Tata Steel offers free courses to those working in Tata Steel to help recipients take advantage of skills shortages and invest in their careers. PLA was widely praised and led to meaningful career progression for some.

> *"PLA was the best. It was really good. I did about 20 courses."*

40. ReAct+, a Welsh Government funded initiative for people currently under formal notice of redundancy, or who have been made redundant within the last 6 months, offers funding to retrain or update skills to get back into employment quickly. ReAct+ was described as stressful to navigate, and some reported barriers to training access before redundancy.

> *"I wasted days tracking things down; it was a constant stress." (ReAct+)*
>
> *"They [Tata Steel] didn't want people to do the courses because of the cost…not encouraging people at all."*

Solutions

- Ensure early access to training during initial redundancy stages when it's most important for a person at risk of redundancy to consider their options.

- Provide on-site pop-ups, while being mindful of a shift worker environment, so staff do not have to leave work to access support.

- Tailor pathways for older/long-serving production workers, providing hands-on, upskilling routes.

Theme 5: Support that led to employment

41. Some participants progressed from volunteering to paid roles, crediting the Community Support Centre with giving them confidence, equipment loans and bridging opportunities.

> *"I've gained a sense of purpose...[opportunities from the Community Support Centre] helped with my mental health."*

42. Word-of-mouth and personal networks were often more effective than formal channels.

> *"I feel like I was quite lucky to find the other job. I found it through someone I knew."*

43. There were reports of being prevented from attending interviews or job searching while still on site

> *"We weren't allowed out of work to look for jobs."*

Solutions

- On-site job fairs, guaranteed paid time for interviews, and 1:1 exit conversations with HR/union reps.

Theme 6: Mental health support - gaps, delays and trust

44. Participants perceived mental health support as insufficient, with no clear route on how to access this support, long waits and a loss of trusted workplace counselling.

> *"We haven't had no support [for mental health] from health boards. We had a counsellor at work, and they laid her off."*
>
> *"[It takes] Three weeks to answer your referral, 6 to 8 weeks for an assessment...crazy time scales when you are at crisis point."*
>
> *"I couldn't tell you what that support is...Nobody seems to know where this money has gone." (allocated mental health funding)*

Solutions

- Commission trusted local mental health ambassadors embedded in community venues to provide rapid triage and continuity.

- Publish clear referral pathways and transparent reporting of mental health allocations and outputs.

Theme 7: Financial strain, contractors and cash-flow

45. Although dedicated debt advice was rarely mentioned, financial strain was a common theme (especially among contractors) and business founders experiencing reimbursement lags.

> *"I'm on my arse now." - contractor with bills and a mortgage to pay*

Solutions

- Proactive debt advice referrals at exit, and more efficient processes within the funding systems for businesses receiving SPF.

Cross-cutting themes: Poor communication, lack of fairness and transparency.

46. Participants repeatedly cited poor communication during wind-down, learning of relevant sessions after the fact, and feeling blocked from seeking new roles.

> *"You'd find out a day later that something had happened…The communication was lacking."*
>
> *"People were stopped taking leave for job interviews."*

47. There were concerns about eligibility fairness and perceived favouritism, which undermined their confidence in the redundancy process.

> *"Lots of people put their name down to stay and then went for interview. But the point scales wasn't used, it was more about favouritism."*
>
> *"They didn't want people to do the courses because of the cost."*

Solutions

- Create and allocate a responsible body to proactively and personally contact those affected (letters/calls/emails).

- Establish a clearer route to accessing mental health support, possibly through a trusted party that understands the local community.

- Set up a system of visible and confidential points of contact, i.e. local champions that can be approached over a phone line. To support the community and channel and signpost people to support networks. This could be based on the already established NPT Council Local Area Coordinators, but focused primarily on supporting those affected by the steelworks closure.

Local Area Coordinators help people to avoid reaching a crisis in their lives or to help people recover if a crisis has already happened.

Themes linked to demographics

48. While these insights highlight potential differences by age, location, and role type, they are drawn from a limited number of participants and cannot be generalised to the wider population without further research. The findings are valuable for illustrating lived experiences and identifying areas for deeper inquiry, but they should be interpreted as emerging signals rather than statistically representative trends.

49. Those aged (55–64): This audience described how they felt they had encountered a more difficult transition than others because of their age and proximity to a retirement age; they demonstrated a reluctance to compete for jobs seen as needed by younger families. Some chose retirement but emphasised the need to focus support on upskilling 40–50 year old production workers.

> *"It's very difficult for people like me, at my age."*
>
> *"If I was a younger bloke, I might have found it easier…didn't want to take the job of someone who had a family."*
>
> *"Production boys will really be struggling now…There should have been more chances…to be upskilled."*

50. Location (outside Port Talbot): As outlined in Theme 2, travel time, distance and parking costs were physical and financial barriers to accessing the Community Support Centre. This audience demonstrated feelings of being forgotten; they reported a perceived ineligibility linked to residence.

> *"You do feel when you live away from the M4 corridor that you don't seem to get the same support."*
>
> *"We are the forgotten children again."*

51. Role type (production vs. specialist): Production workers described institutionalisation and shock; specialists sometimes leveraged networks to access support more quickly.

> *"A lot of the workforce have been there since school…it's a massive shock when you step out."*
>
> *"I'm able to pick the phone up to somebody…brilliant, but I don't know whether everybody else has got that access too."*

Participant sentiment

52. During every session, the moderator gauged participants' sentiments through their body language, tone of voice, use of language and the atmosphere in the room.

53. Recording these observations was important to ensure the strength of feeling from participants was documented.

54. The following emotions were observed:

- Anger – Voices were often raised, and a tone of anger was used to get a point across. This stemmed from a level of disbelief at the situation:

> *"Steel workers don't want charity, they just want an opportunity to work and provide a decent living to provide for their family. To work in the industry, once it's in your blood, it's in your blood. In this town, you [the government] have taken the "port" out of Port Talbot. Never in my lifetime did I think I'd see our furnaces die. There was no need for this."*

- Guilt - One participant who was at one point heavily involved in talks with political figures and governments (both UK and Welsh) as a union representative, said they felt they were *"led down the garden path"* when discussing how they felt about the outcome of the redundancies. They said *"they [the government] promised us the world and delivered nothing, and I was the man there who was doing it [fronting it]…I carry that guilt."*

- Sadness / Grief –One participant cried in the session. Several others appeared emotional and close to tears.

> *"For me, I have felt hopelessness, I've felt useless…It's hard to talk about it even now."*

- Frustration and confusion – mainly with a lack of efficiency when applying for funding.

> *"My SPF claim took me 8 months…why can't they pay those guys direct?"*

- Abandonment – some worried that the support hasn't been locally led or allocated with input from the community, adding to mistrust and confidence in the approach:

> *"This government promised millions…they don't listen to the people who know."*
>
> *"I am struggling for a sense of purpose and a sense of meaning to be perfectly honest with you…I don't know what day it is; it doesn't matter what day it is when you are retired."*
>
> *"It's very difficult for people like me, at my age. The transition hasn't been easy. It's been difficult for me, but for the younger people, well, I shudder to think."*

55. There was a strong "*we are a community*" ethos, where participants talked about the importance of putting young people first, focusing on young people and helping with their futures before their own. *"Being part of the steelworks is being part of a family."*

56. Alongside a sense that the closures had had a monumental impact on the community and the way of life for many in the area: *"Our Community was let down, our workforce was let down. Our way of life has gone."*

Annex 1: Solutions from participants

The following solutions were proposed by participants during discussions as potential pathways for positive change and are shared here to inspire further dialogue and consideration.

Theme 1: Emotional impact, identity and community cohesion

Solutions

- Build trusted local presence (community ambassadors; consistent, human contact).

- Proactive well-being check-ins at 12–18 months post-closure, when pinch points arise.

Theme 2: Access to support from local providers, i.e. Community Support Centre in Aberafan shopping centre, The Opportunity Hub, NPT Employability or the Job Centre

Solutions

- Satellite hubs and pop-up days in trusted local community venues (sports clubs, local projects), including shift-friendly hours. And a similar offer of a part-time hub in other central points along the M4 for affected groups beyond Port Talbot.

- Travelling case workers, plus parking concessions or travel vouchers for those coming from outside Port Talbot.

- Employer/union-led letters/flyers distributed to affected workers, acknowledging this audience may be in shock initially, but signposting clearly what they can access next.

Theme 3: Funding to set up a business - benefits and barriers

Solutions

- Simplify the application and provide in-person assisted digital help. Or where this is already provided, promote it more clearly to eligible participants.

- Allow direct supplier payment or staged claims by default: *"Why can't they pay those guys direct?"*

- Determined and well communicated targets for reimbursement times (e.g., 10–15 working days).

Theme 4: Funding to retrain or increase skills (PLA, ReAct+, employability support)

- Ensure early access to training during initial redundancy stages when it's most important for a person at risk of redundancy to consider their options.

- Provide on-site pop-ups, while being mindful of a shift worker environment, so staff do not have to leave work to access support.

- Tailor pathways for older/long-serving production workers, providing hands-on upskilling routes.

Theme 5: Support that led to employment

Solutions

- On-site job fairs, guaranteed paid time for interviews, and 1:1 exit conversations with HR/union reps.

Theme 6: Mental health support - gaps, delays and trust

Solutions

- Commission trusted local mental health ambassadors embedded in community venues to provide rapid triage and continuity.

- Publish clear referral pathways and transparent reporting of mental health allocations and outputs.

Theme 7: Financial strain, contractors and cash-flow

Solutions

- Proactive debt advice referrals at exit, and more efficient processes within the funding systems for businesses receiving SPF.

Cross-cutting themes: Poor communication, lack of fairness and transparency.

Solutions

- Create and allocate a responsible body to proactively and personally contact those affected (letters/calls/emails).
- Establish a clearer route to accessing mental health support, possibly through a trusted party that understands the local community.
- Set up a system of visible and confidential points of contact, i.e. local champions that can be approached over a phone line. To support the community and channel and signpost people to support networks. This could be based on the already established NPT Council Local Area Coordinators, but focused primarily on supporting those affected by the steelworks closure. Local Area Coordinators help people to avoid reaching a crisis in their lives or to help people recover if a crisis has already happened.

Annex 2: Individual and group interview questions

The following questions served as a flexible guide for the facilitator.

57. The engagement sessions were participant-led, allowing for an organic conversation flow; questions were not presented in a specific order or exact wording but were used to facilitate discussion based on the participants' responses and needs.

Questions:

1. What support has been available, and how did you find out about it?
2. What are the positives and/or negatives you've experienced when trying to access support since your redundancy?
3. What have been the main barriers you've faced in accessing the support you need?
4. Have you faced any specific challenges in accessing support? (For example, related to your age, ethnicity or where you live)
5. How can people who were made redundant from Tata Steel since 2024 be better supported?
6. Can you give examples of ways to improve access to the support?
7. If you could ask the Committee to focus on one specific thing that would make the biggest difference/improvement to you, what would it be?

Annex 3: Partner Organisations

58. Thank you to the following for their support in sourcing participants for the engagement and assisting in hosting a group interview:

- Aberavon Quinns RFC
- Bethel Community Church – Sandfields
- Bridgend Association of Voluntary Organisations (BAVO)
- Community Support Centre Aberafan Shopping Centre, Port Talbot
- Community Trade Union
- Local GP cluster groups
- Multi-Union Committee, Tata Steel UK
- Neath Port Talbot Council
- Springfield Advisory

Document is Restricted

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

Llywodraeth Cymru
Welsh Government

Andrew RT Davies MS
Chair
Economy, Trade and Rural Affairs Committee

16 January 2026

Dear Andrew,

I would like to formally thank committee members for their time in carrying out the inquiry into improving Wales' soil health.

I am pleased to enclose the formal response by the Welsh Government to the committee's recommendations.

Yours sincerely,

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
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Digging the Dirt – Improving Wales' Soil Health

Response to the ETRA Committee report

On 18 November 2025 the Economy, Trade and Rural Affairs Committee submitted its report on Digging the Dirt – Improving Wales' Soil Health and I thank the committee for undertaking this inquiry.

The report includes 7 recommendations and 6 Conclusions, and this is the Welsh Government's response.

Huw Irranca-Davies AS/MS

Deputy First Minister and Cabinet Secretary for Climate Change & Rural Affairs

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1. Introduction

I thank the members of the Economy, Trade and Rural Affairs Committee for submitting its report on Digging the Dirt – Improving Wales' Soil Health. I have set out my response to the Report's individual recommendations and conclusions below. These have been grouped by Report chapter.

2. Response to the 7 Recommendations and 6 Conclusions

Chapter 3: Soil Monitoring

Conclusion 1

The Committee concludes:

The Committee was pleased to hear that Wales is a leader in soil testing. The Welsh Government must work to ensure that lead is retained. To do this it should examine best practice around information sharing from the Northern Ireland Soil Nutrient Health Scheme and look at how the data capture can be widened to include increasing the depth of soil samples taken as part of ERAMMP and improving soil biodiversity monitoring.

Response: Accept in Principle

Welsh Government is undertaking a review of monitoring to ensure future monitoring activity meets the requirements of the Agriculture Act. The review will consider the soil monitoring methods including soil depth and soil biodiversity. Wales is the only UK Nation that's mapped using eDNA technology its entire soil biodiversity communities.

Financial Implications: the review will be accommodated within existing budgets including an assessment of the additional cost associated with soil monitoring at depth and soil biodiversity monitoring.

Recommendation 1

The Committee recommends that:

Soil testing as part of the Sustainable Farming Scheme is a great opportunity to increase our understanding of soil. Welsh Government must ensure it shares soil health data both from those tests and any testing it commissions with farmers and other land managers in the most accessible way for them to improve their local management of soil health. They should also look at how data from tests undertaken as part of the SFS can be shared with experts to increase the understanding of our soil health regionally and nationally – whilst respecting privacy and commercial confidentiality.

Response: Accept in Principle

Results from SFS UA1 Soil Health will be shared with the ERAMMP contractor to support our national monitoring programme, this will increase the

understanding of soil health regionally and nationally. The results will be aggregated and the ERAMMP data will be published respecting privacy of data. Monitoring undertaken by the ERAMMP National Field Survey is to track trends in the condition and extent of natural resources and not to assist farmers and land managers with local management of soil health; knowledge transfer is addressed in the response to Conclusion 2.

Financial Implications: this work will be accommodated within existing Welsh Government budgets.

Chapter 4: The Sustainable Farming Scheme

Recommendation 2

The Committee recommends that:

The Welsh Government must ensure it is fully encouraging and supporting tenant farmers to improve the soil they are farming. This could include financial support and supporting them to obtain certifications that will increase the value of their products.

Response: Accept in Principle

Our varied and important tenant farmer sector has been central to Scheme design throughout. For example, earlier proposals that SFS should run as a five-year contract were amended as this would be inaccessible for many tenants.

The Welsh Government has worked through the detail of each Universal Action (including UA1 soil testing) with the SFS stakeholder group and Ministerial Roundtable, to identify and resolve any unique challenges for tenant farmers entering the SFS. The Tenants Farmers Association (TFA) are active members of both of these groups.

Future development of soil related optional actions will take account of tenant farmers. For 2026/27, organic support actions will be available to eligible farmers, both in and out of SFS.

Financial Implications: this work will be accommodated within existing Welsh Government budgets.

Conclusion 2

The Committee concludes:

We welcome soil testing requirements in the Sustainable Farming Scheme, however the Welsh Government must ensure the results are acted on via

funding, or advice and guidance on how farmers can improve their land, or a combination of the two.

Response: Accept

Whilst the cost of the actual soil testing will not be covered by Farming Connect from 1 April 2026 for those in the Sustainable Farming Scheme (to avoid double funding), farmers have and continue to be able to access subsidised advice and guidance from Farming Connect on the interpretation of any soil testing results. This advice is provided in order to support farmers to not only test soil, but to take informed actions based on those tests' results.

Support will include, amongst other things, guidance on selecting optimal cropping systems and rotations including recommendations on establishment methods; advice on grazing strategies, conservation management, and effective forage utilisation; best practices to lower greenhouse gas emissions and pesticide use; raising awareness of soil value and vulnerability; and advice on manure storage and utilisation, including timing and planning to meet regulatory requirements, as well as assistance in developing nutrient management plans that consider both environmental and agronomic factors.

Financial Implications: this work will be accommodated within existing budgets.

Conclusion 3

The Committee concludes:

The next Government should examine the Nature Friendly Farming Network's suggestions for improving soil health and consider how they could be incorporated into future iterations of the Sustainable Farming Scheme.

Response: Accept in principle

Much of the Nature Friendly Farming Network (NFFN)'s suggestions already form part of the initial SFS offer. Work has begun to scope the future SFS soil offer as part of the SFS Phase-2 Development Programme. We will continue to work with the NFFN and other stakeholders to develop this offer.

Financial Implications: this work will be accommodated within existing budgets.

Chapter 5: Best and Most Versatile Agricultural Land

Recommendation 3

The Committee recommends that:

The Welsh Government should develop a framework to support planning officers making decisions on applications for use of agricultural land. This framework should be developed with the aim of retaining the best land for agricultural use, set priorities between uses and be future proofed from a climate change perspective.

Response: Reject

Planning Policy Wales and Technical Advice Notes provide the land use planning framework when considering the use of agricultural land. The balance between the protective provisions afforded BMVAL and its use for non-agricultural purposes is broadly correct and can only be assessed on a case-by-case basis.

Paragraphs 42 to 48 conflate the BMVAL classification and the ERAMMP broad habitat classifications; they are not the same and I refer the Committee to my oral Hearing evidence in paragraphs 362 & 363. ERAMMP is based on land use rather than capability. It does not reflect the versatility of land to grow a broad range of crops at consistent yields; nor does it reflect environmental considerations in terms of slope, soil type and porosity which influence erosion, crop recovery, workability and infiltration.

Financial Implications: none.

Recommendation 4

The Committee recommends that:

The Welsh Government should review the ALC data and maps to ensure they are still fit for purpose.

Response: Accept

The Welsh Government understands the need to maintain the credibility of the ALC system to protect high quality agricultural land in the planning system. It has put in place a series of measures to ensure the system remains up to date. In addition to my evidence at paragraphs 365, 378 and 379 of the Hearing transcript, I hope the following actions demonstrate to the Committee how this recommendation is being addressed.

The old Provisional ALC Maps were at 1:250,000 scale and based on an old version of the ALC assessment criteria dating from the last 1960s; these were withdrawn in Wales in 2017.

The Welsh Government first updated the ALC map in 2017 and again in 2019 - Predictive Agricultural Land Classification (ALC) Map 2 | DataMapWales. Defra

are following the approach and methodology used in Wales to update their maps, with Welsh Government providing technical support into the project.

The Predictive ALC Map is based on the current ALC grading criteria on a 50m gridded approach suitable for all scales.

The Predictive ALC Map can only ever be predictive in nature, rather than definitive. A survey will always be required due to the inherent short variation in soil properties which influences the final grade and the propensity to challenge in the planning system where actual evidence, rather than predictive evidence, is required to inform planning decisions.

There is no indication that the ALC system is not fit for purpose under current climatic conditions and cropping systems. This is based on the findings of Defra research project SP1104 and Welsh Government research project CSCP06.

The following ALC Technical Review series of reports were commissioned by Welsh Government on behalf of England and Wales to review the technical grading criteria and provide a template for a full technical update and digital resources:

Agricultural Land Classification: Technical Review - Part 1 slope, stoniness, soil depth & particle size distribution.

Agricultural Land Classification: Technical Review - Part 2 aspect, frost, wind, micro-relief, flooding, irrigation & soil erosion.

Agricultural Land Classification: Technical Review - Part 3 climate, drought, episodic events, evapotranspiration & land capability / suitability.

Agricultural Land Classification: Technical Review - Part 4 potentially toxic element (PTE) concentrations.

Agricultural Land Classification: Technical Review - Part 5 full technical review recommendations.

Under project RDE745, Defra and Welsh Government commissioned the full technical update of the ALC system with the technical review series forming the basis for the specification. The project began in August and will complete in 2027. As part of this project, the Predictive ALC Maps for England and Wales will be updated.

Financial Implications: this work will be accommodated within existing Welsh Government and Defra budgets.

Conclusion 4

The Committee concludes:

The Welsh Government should engage with DEFRA and follow the development and implementation of their Land Use Framework.

Response: Accept in principle

Welsh Government maintains a watching brief on the development of the Land Use Framework by DEFRA and is always looking for good practice it can learn from.

Future Wales, the National Development Plan, is currently undergoing its 5-year statutory monitoring period. Future Wales serves as the framework for guiding development in Wales over the next two decades, addressing pressing issues such as economic growth, environmental sustainability, and community health.

Financial Implications: this work will be accommodated within existing budgets.

Chapter 6: Regulation

Committee Recommendation 5

The Committee recommends that:

The Welsh Government should set out what its plans are to encourage farmers who do not engage with the Sustainable Farming Scheme to improve their soil health. As part of this it should detail its plans for regulation, including putting GAEC 4 and 5 on a statutory footing.

Response: Accept

GAEC 4 & 5 will apply to both BPS (Basic Payment Scheme) and SFS claimants.

The Control of Agricultural Pollution Regulations review published on 31 March 2025 considered the role of soil and soil management for all agricultural land in Wales whether in SFS, BPS or not in a scheme.

The review identified that there was a lack of legislative protection for soils in Wales, where they were a feature in other parts of the UK and recommended measures to reduce the risk of soil loss to the environment. The recommendations will be taken forward in full.

- Recommendation 6 (short term): Include requirements within the Control of Agricultural Pollution regulations to protect against soil loss to the environment, potentially replicating the Good Agricultural and Environmental Condition (GAEC) requirements of Cross Compliance.
- Recommendation 7 (medium term): Consider the role of higher risk cropping on potential losses of soil to the environment and effective mitigation techniques such as buffer strips.

The Welsh Government has invited the Law Commission to report on options to simplify and modernise agricultural law in Wales. The project was formally launched on 16 April 2024. The Law Commission has met with stakeholders and policy officials to conduct their analysis of agricultural related law, which is expected to be published before the end of 2025. Further information can be found on the Law Commission website: Agricultural Law in Wales - Law Commission.

Financial Implications: this work will be accommodated within existing budgets.

Conclusion 5

The Committee concludes:

The Welsh Government should clarify exactly which GAECs will apply to SFS claimants.

Response: Accept

In addition to the to the response to Recommendation 5, the rules replacing Cross Compliance will be set out in the Universal Code. The Sustainable Farming Scheme 2026: scheme description [HTML] | GOV.WALES provides further information.

Financial Implications: this work will be accommodated within existing budgets.

Chapter 7: Targets

Recommendation 6

The Committee recommends that:

The Welsh Government should clarify the guidance around soil health. As part of this they should consider creating a voluntary minimum standard for soil health which they would then use to measure progress, with the possibility that this

voluntary standard could become a statutory minimum if progress is not achieved.

Response: Accept in principle

Welsh Government is developing a Sustainable Land Management (SLM) soil health indicator for Agriculture Act reporting. This will be used to measure progress towards delivering SLM and SMNR. The SLM soil health indicator will not create a voluntary minimum standard for soil health. Indicators and targets are to be laid before the Senedd by end of this year. Indicators will be developed for soil health with the need and efficacy of targets kept under review. Given the spatial variation in soil types and their behaviour to climate and land use, Welsh Government's is providing a layered approach to soil health with multiple actions through the universal SFS layer promoting soil health; bespoke advice through Farming Connect (see response to Conclusion 2); optional layer actions and capital equipment; and, the Universal Code and Control of Agricultural Pollution Regulations. Whilst not a voluntary minimum standard, ongoing monitoring in combination with SLM and scheme level indicators will provide a measure of progress against activity for Welsh Government to review its approach.

The extent to which this approach achieves the sustainable management of soils will be kept under review including whether further guidance around soil health is required.

Financial Implications: this work will be accommodated within existing budgets.

Chapter 8: Private Investment and the Soil Carbon Credit Market

Recommendation 7

The Committee recommends that:

The Welsh Government should, as a matter of urgency, ensure high quality advice is available for farmers exploring the carbon credit market.

Response: Accept in principle

We are committed to working with stakeholders and delivery partners to develop a nature finance framework for Wales. The BSI Nature Investment Standards programme establishes standards for high-integrity nature markets.
Our Sustainable Investment Principles set out key principles for effective and responsible nature markets in Wales, such as community engagement.

Financial Implications: this work will be accommodated within existing budgets.

Conclusion 6.

The Committee concludes:

The next Welsh Government should review the private investment landscape, with a view to exploring the relative merits of moving from carbon credits to value chains.

Response: Accept in principle

The Welsh Government approach to nature finance / nature markets must be compatible with other work across the UK and aligned to international standards.

We are committed to working with stakeholders and delivery partners to develop a nature finance strategy for Wales, learning from the current private investment landscape. This is includes identifying new, effective and evidence-based examples of good practice and capacity building from the UK and beyond, such as:

- Ecosystem Knowledge Network (EKN) hosted (with support from NRW and Office for the Future Generations Commissioner) a "Financing an Environment for Wales" event last October which brought together over 100 leaders from landowners, regulators, businesses, investors and banks.
- Welsh Government officials alongside its stakeholders have visited 2 projects in England to learn from the approaches taken there in relation to market opportunities.

Financial Implications: this work will be accommodated within existing budgets.

Huw Irranca-Davies AS/MS
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig

Llywodraeth Cymru
Welsh Government

Mike Hedges MS
Legislation, Justice and Constitution Committee

19 January 2026

Dear Mike,

In accordance with the inter-institutional relations agreement, I am writing to notify you that a Memorandum of Understanding (MoU) between the Department for Energy Security and Net Zero (DESNZ) and the Welsh Ministers and was published on 14 January 2026. It can be found here.

This MoU relates to the funding for Local and Community Energy in Wales as part of the work of Great British Energy (GBE).It sets out principles for collaborative working between DESNZ and Welsh Ministers for investing up to £9.495 million to support community and local renewable energy projects in Wales. It sets out:

- Aims of the funding
- The funding schedule
- The principles of collaborative working
- Management and governance arrangements.

I have also copied this letter to the chairs of the Economy, Trade, and Rural Affairs Committee and Climate Change, Environment, and Infrastructure Committee.

Yours sincerely,

Huw Irranca-Davies AS/MS
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig

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Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: HID-PO-022-26

Mike Hedges MS
Chair - Legislation, Justice and Constitution Committee

20 January 2026

Dear Mike,

I am writing in accordance with the inter-institutional relations agreement to let you know that the Inter-Ministerial Group for Environment, Food and Rural Affairs will be held on 5 February 2026. I will be representing the Welsh Government.

The meeting is expected to focus on a Biodiversity deep dive, the UKG Food Strategy, the UKG Farm Profitability review, SPS engagement and the Fishing and Coastal Growth Fund. After the meeting I will update you on discussions and a communique will be issued.

I have also copied this letter to the Climate Change, Environment and Infrastructure Committee and the Economy, Trade and Rural Affairs Committee.

Yours sincerely,

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

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Agenda Item 5.3

PROMOTING WALES FOR INWARD INVESTMENT

Submission to the Economy, Trade and Rural Affairs Committee

Steve Fothergill, National Director, ICA
Meirion Thomas, Wales Director, ICA

Basis of the submission

The authors of this submission are the National (GB) and Wales Directors of the Industrial Communities Alliance, the all-party association of local authorities in the industrial areas of England, Scotland and Wales. In Wales, the ICA membership covers nine authorities, including all the main councils covering the Valleys. Both authors are also long-standing academics with substantial experience of working on regional and local development.

The submission argues that through no fault of its own Wales as a whole, and its less prosperous areas in particular, have lost their **competitive edge** in attracting inward investment. As the submission explains, there is a long history to the promotion of inward investment from which much can be learned, but there are presently major weaknesses in the package of support that urgently need to be addressed.

The context in Wales

We take it as given that substantial parts of Wales need business investment and new jobs. Whilst official measures of unemployment are now low by historical standards, GVA per head lags well behind the UK average and much of Wales still suffers from exceptionally high levels of economic inactivity and dependency on welfare benefits.

The 2025 report *Next Steps for the Valleys*, for example, found that in the South Wales Valleys there are only 46 employee jobs per 100 residents of working age and that 19 per cent of all adults of working age are out-of-work on benefits of one kind or another[1].

As the Valleys report concluded, addressing these economic and labour market difficulties requires action across a broad front. There is no single 'silver bullet' that will turn things around. Inward investment is a key part of the jigsaw and it helps foster a more prosperous environment in which local businesses can develop and grow.

There can of course be a view that providing financial support to inward investors is not worthwhile because businesses take the money and after a few years then move on. In Wales this view is rooted in the experience of attracting manufacturing firms to the Valleys and M4 corridor that have not survived to the present day. Whilst it is true that over time many firms and factories do close in the normal course of business, a negative view of inward investment would be wrong.

[1] S Fothergill, T Gore, M Thomas and C Whitwood (2025) *Next Steps for the Valleys*, Industrial Communities Alliance (Wales).

In fact, taking the long view, supporting inward investment can be one of the key tools in promoting regional and local development and the UK has long experience in this regard. The formal evaluations of regional investment aid make this only too clear – from the classic study of regional policy in the 1960s and 70s[2] though to evaluations of regional investment incentives in the 1990s and 2000s[3], and more recently the evaluation of the Regional Growth Fund[4]. In short, regional investment aid does attract jobs to less prosperous parts of the country, and these jobs don't quickly disappear.

Regional investment aid: a brief history

Regional investment aid is the financial support that the public sector offers private sector investors in less prosperous parts of the country with the aim of creating or protecting jobs in these places. In most cases the support takes the form of a capital grant making up a proportion of a project's costs but in some cases, it can be a loan at a discounted rate. Regional investment aid is a key tool – arguably *the* key tool – in attracting inward investment.

Wales has a long history of regional investment aid. Continuously from the early 1960s until 2020, large parts of Wales were designated as 'Assisted Areas' where investment aid was made available to firms. Initially it was the UK government that designated the Assisted Areas; later they were designated by the EU (with input from the UK government) under EU State Aid rules. The funding for investment aid came principally from the UK's Department for Business and latterly from the Welsh Government as well. The funds themselves had a variety of names over the years – Regional Development Grants, Regional Selective Assistance, Regional Growth Fund etc.

The key with all regional investment aid is to fund only those projects that would not otherwise go ahead in the same place, on the same scale or on the same timescale – in other words to deliver genuinely additional investment. The UK has a great deal of experience in designing and running procedures that deliver this 'additionality' and minimise 'deadweight' spending on projects that would anyway have gone ahead in the same form and location.

West Wales & the Valleys occupied a privileged position under the EU rules. In addition to the area's eligibility for generous support from the EU Structural Funds, because of its low GDP per head (below 75 per cent of the EU average) it was also placed in the highest category for allowable investment aid – only Cornwall and Tees Valley & Durham matched this eligibility in the UK.

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[2] B Moore, J Rhodes and P Tyler (1986) *The effects of government regional economic policy*, HMSO, London.
[3] M Hart, N Driffield, S Roper and K Mole (2008) *Evaluation of regional selective assistance (RSA) and selective finance for investment in England (SFIE)*, Department for Business, Enterprise and Regulatory Reform, London.
[4] Department for Business, Enterprise and Industrial Strategy (2022) *Regional Growth Fund Evaluation*, BEIS, London.

That meant that under the 2014-20 version of the EU rules large firms investing in West Wales & the Valleys were eligible for grants of up to 30 per cent of the cost of a project, compared to just 10 per cent in other UK Assisted Areas and nothing at all in the more prosperous part of the UK. Medium-sized firms (50-250 employees) were eligible for a further 10 per cent top-up, and small firms (less than 50 employees) for a further 20 per cent.

West Wales & the Valleys could therefore offer a huge advantage to inward investors over nearly all other parts of Britain. In truth this advantage wasn't always exploited as much as might have been the case, mainly because of limited budgets. Nevertheless, utilising the area's eligibility for high rates of investment aid was always an option that other places couldn't match.

The loss of Assisted Area status

Following Brexit, the EU rules that framed regional investment aid no longer applied. The tragedy was that the Conservative government in Westminster chose not to replace the EU's Assisted Area map with its own UK map. Instead, it introduced a system of Subsidy Control that treats all parts of the UK equally.

Instead of the previous system, prioritising less prosperous areas and sending a clear signal to investors, the new system of Subsidy Control offers nothing extra in the Rhondda than in Richmond-on-Thames.

Under the new Subsidy Control regime there is still an emphasis on value for money and the avoidance of the deadweight that occurs when projects would have gone ahead anyway. But the discrimination in favour of less prosperous parts of the country has entirely disappeared. For the first time since the early 1960s, investments in the poorer parts of Wales are therefore no longer eligible for higher rates of assistance. It was a deliberate political decision in Westminster, not an oversight, to not renew an Assisted Area map following the UK's departure from the EU.

The result is that Wales as a whole, and West Wales & the Valleys in particular, has lost its competitive edge in attracting inward investment.

This loss is compounded by other recent developments. Whereas at one time places such as the Valleys could offer a ready supply of labour, there are still very large numbers out-of-work on benefits but only a minority are active jobseekers whilst the majority have become parked on sickness and disability benefits. In an era of large-scale international migration, the labour shortages that once made firms think twice about investing in places along the M4 corridor in England have also faded.

It hasn't helped too that over the years the construction of advance factories, intended to accommodate inward investors and growing local businesses, has been wound down.

If inward investors now shy away from Wales it is therefore not surprising. They are no longer eligible for higher levels of financial support. And they are no more likely to find the labour and premises they need than in most other parts of Britain.

So what needs to be done?

The Labour government in Westminster needs to revisit the Conservative's decision to dispense with Assisted Area status and higher levels of eligibility for investment aid in less prosperous parts of the country.

Labour presently doesn't have a policy on this issue – hardly surprising, perhaps, given that at first sight state aid rules and subsidy control can seem like a highly technical issue. But the principle is actually very simple – that firms should be given a clear signal that investment in the poorer parts of the country is more likely to attract financial support than investment in prosperous areas.

Subsidy Control rules are not a devolved matter, and any changes that might benefit Wales would clearly have implications for other parts of the UK as well, so this is ultimately an issue for the UK government to resolve. But it is clearly an issue on which the Welsh Government could and should lobby Westminster very hard.

Senedd Cymru | Welsh Parliament

Pwyllgor yr Economi, Masnach a Materion Gwledig | Economy, Trade and Rural Affairs Committee

Inquiry into Inward investment

January 2026

Written Evidence Submitted by Professor Riccardo Crescenzi, London School of Economics

This note responds to the Committee's questions using a Global Value Chains (GVCs) perspective, focusing on the *composition* of inward investment (sectors and functions), its position along the "smile curve" of value creation (e.g., production versus R&D and headquarters), and the extent to which investment is *embedded* into local value chains and investment ecosystems to support durable upgrading and resilience (Crescenzi and Harman 2023).

1) How effective is the Welsh Government's approach to attracting inward investors to Wales, and what are its main strengths and weaknesses? How should any perceived weaknesses be addressed?

A national approach to investment attraction is most effective when it combines (i) a credible value proposition grounded in genuine local assets and Wales's position in domestic and global value chains, and (ii) institutional capacity to deliver on what promotion implies, including a clear single point of contact and the ability to resolve practical frictions for investors (LSE for ESRC 2018; Crescenzi and Harman 2023).

- Wales has identifiable assets that can underpin a credible investment proposition, including sectoral capabilities and distinctive strengths that can be showcased as part of a wider, coherent promotion strategy (LSE for ESRC 2018).
- Evidence from analysis of thousands of FDI projects shows that investment promotion agencies (IPAs) are effective—particularly when designed to operate at the sub-national level within a coordinated multi-layer system. Reported effects include higher probability of attracting capital, higher inflows, and stronger job creation, with especially pronounced impacts for knowledge-intensive investment (Crescenzi, Di Cataldo & Giua 2021).
- Wales's international visibility and investment identity are comparatively limited, including weaker presence of Welsh cities in global investment networks and weaker global perception than comparator models (LSE for ESRC 2018).
- The inward investment portfolio has become more concentrated by sector and remains disproportionately oriented towards lower value-added functions. Investment is described as heavily skewed towards Alternative and Renewable Energy and Coal, Oil and Natural Gas; and, along the "smile curve", inward FDI remains concentrated in assembly and production, with underrepresentation of high value-added activities such as R&D, innovation and headquarters functions (LSE for ESRC 2018).

- Limited institutional resources and expertise constrain tailored, sector-specific support, pre-investment facilitation, aftercare services, and incentives, weakening Wales's ability to compete in an increasingly competitive FDI landscape (LSE for ESRC 2018).

How weaknesses should be addressed

- Establish a dedicated, regionally anchored investment promotion agency/body/unit for Wales with a focused mandate, defined targeting of priority sectors/geographies, operational autonomy, and international visibility—positioned as a credible first point of contact for investors (Crescenzi, Di Cataldo & Giua 2021).
- Build a single point of contact ("single phone number") combined with an ecosystem-building role that removes barriers, brokers partnerships, and ensures investor experience matches the value proposition associated with "Brand Wales" (LSE for ESRC 2018).
- Rebalance and upgrade the inward investment portfolio by targeting higher value-added functions and strengthening embedding into local value chains and local investment ecosystems (Crescenzi and Harman 2023).

2) To what extent does the Welsh Government's approach to attracting inward investment target areas of strength within the Welsh economy? How successfully is it taking opportunities in emerging sectors with the potential to play a key role in the future economy?

Based on our research we are unable to answer on the extent and success of Welsh Government targeting in operational terms.

However, our research identifies the relevant strengths and risks that an inward investment strategy should reflect:

- Wales can prioritise sectors aligned with comparative advantages, including renewable energy, advanced manufacturing, life sciences, and creative industries (LSE for ESRC 2018).
- The inward investment portfolio has become more concentrated and energy-skewed, raising concerns about long-term development impacts (jobs, innovation capacity, and workforce upskilling) (LSE for ESRC 2018).
- Future-oriented opportunities include aligning investment attraction with wider Green Global Value Chains, including "Green FDI" that can be identified outside traditional renewable-energy categories and that brings green capital, skills, and knowledge for the transition (Crescenzi and Harman 2023).

3) What are the key barriers Wales faces in attracting and retaining inward investment, and how should these be tackled?

LSE Research identifies a set of structural, institutional and perception-based barriers:

1. **Weak global perception and branding**: limited international visibility and a weaker recognised investment identity, including limited visibility of Welsh cities in global investment networks.
   Response: define Wales's value proposition within a wider UK investment promotion strategy and ground it in Wales's position in global value chains (LSE for ESRC 2018; Crescenzi and Harman 2023).

2. **Over-reliance on lower value-added FDI**: inward investment concentrated in production-related activities and vulnerable sectors, with limited embedding and higher exposure to shocks.
   Response: diversify towards higher-value sectors and functions (e.g., advanced manufacturing, life sciences, green technology) and target upgrading into higher value-added tasks (LSE for ESRC 2018; Crescenzi and Harman 2023).

3. **Limited GVC integration and weak outward FDI**: limited connectivity partly linked to low outward investment by Welsh firms, reducing reciprocal knowledge flows and partnerships.
   Response: treat outward FDI as complementary to inward FDI to strengthen reciprocal connections and improve Wales's appeal as an MNE hub (Crescenzi and Harman 2023).

4. **Insufficient institutional capacity**: limited resources and expertise reduce pre-investment facilitation, aftercare, and tailored incentives.
   Response: strengthen institutional capacity and establish a dedicated regional IPA with clear mandate, targeting and autonomy (Crescenzi, Di Cataldo & Giua 2021; LSE for ESRC 2018).

5. **Connectivity and infrastructure gaps**: continuing challenges in transport and digital connectivity, particularly in rural areas.
   Response: targeted investment to improve transport and digital links and better integrate rural and urban areas into national and international networks; strengthening Cardiff's hub role is also identified as relevant (LSE for ESRC 2018).

6. **Skills gaps and innovation perception**: weaker business-led R&D and patent activity contributes to perceptions of limited advanced skills.
   Response: strengthen university–industry partnerships, expand training in high-demand fields, and showcase sector success stories (LSE for ESRC 2018).

7. **Brexit-related uncertainty**: uncertainty around access to European markets can reduce Wales's perceived attractiveness as a gateway to the EU.
   Response: emphasise access to UK markets, continued UK–EU investment relationships, and potential opportunities arising from new trade agreements (LSE for ESRC 2018).

4) Which examples of best practice from beyond Wales could Wales learn from in attracting inward investment and providing ongoing support to inward investors?

The consensus in academic literature is clear: countries and regions should avoid seeking 'best practices' to simply 'copy and paste' into their public policies. While case studies based on best practices are commonly used as teaching tools in business schools—where inductive learning methods are emphasized—they are not a universal solution. Nevertheless, Wales can draw

valuable lessons from international investment promotion campaigns that have successfully aligned regional assets with global investor priorities. These examples underscore the importance of tailored strategies, institutional capacity, and sector-specific focus—principles also emphasized by Crescenzi and Harman (2023) in their research on integrating inward investment into regional development strategies.

1. Ireland: Targeted Sectoral Promotion

Ireland's **Industrial Development Authority (IDA)** has been a pioneer in aligning FDI with local strengths. The IDA leverages Ireland's highly educated workforce and EU access. This aligns with recommendations in the LSE report on Wales, which emphasizes the importance of connecting investment flows to local knowledge systems and human capital to enhance regional innovation (LSE for ESRC, 2018). For Wales, a similar strategy could highlight its capabilities in renewable energy, advanced manufacturing, and creative industries.

2. Singapore: End-to-End Investor Support

Singapore's Economic Development Board (EDB) provides a comprehensive suite of services for investors, from pre-investment facilitation to post-investment support. This aligns with Crescenzi et al. 2021's emphasis on the role of well-resourced IPAs in ensuring investor retention and alignment with local priorities (Crescenzi et al., 2021). Wales could implement a dedicated investment task force modelled on the EDB, ensuring smooth processes and clear aftercare for investors while embedding them into local value chains.

3. Costa Rica: Sustainable Investment Branding

Costa Rica's CINDE has branded the country as a hub for environmentally friendly industries, leveraging its green credentials to attract FDI in renewable energy and high-tech sectors. Crescenzi and Harman (2023) argue that aligning FDI with sustainability goals enhances regional competitiveness. Similarly, the LSE report identifies renewable energy as a promising sector for Wales, given its abundant natural resources and existing energy infrastructure (LSE for ESRC, 2018). Wales can position itself as a green investment hub by integrating sustainability branding into its promotional strategies.

4. Scottish Development International (SDI): Focus on Value Chains

The LSE report identifies Scottish Development International (SDI) as a successful case study in promoting FDI integration into global value chains. SDI focuses on specific sectors, such as renewable energy and life sciences, and provides tailored incentives that ensure job creation and capital investment in Scotland's assisted areas. These efforts align with Crescenzi and Harman's (2023) emphasis on embedding FDI in local innovation systems to maximize spillovers. Wales could replicate this model by enhancing its regional agencies' capacity to promote key sectors and ensure alignment with local and global value chains.

5. Invest Korea: Value of Aftercare Services

Aftercare services can be useful for existing MNEs who are or could be repeated investors in a country or region. Evidence from the Republic of Korea shows reinvestment from MNEs occupies 70% of total inbound foreign investment to the country. Further, Korea's Foreign Investment Ombudsman and Aftercare organisation estimates that it takes five times more time per won (₩) for new investment than reinvestment. Wales could focus limited resources and capacity on past investors soliciting future inward investment.

6. Netherlands: Investment Orientated Skills Academies

Some national and sub-national investment promotion agencies include skills and talent attraction as part of their mandate. Netherlands created a specific developed skills academy to support subnational IPAs. Such school – or development centres -- also present in Malaysia attempt to reduce the distance between what firms need and what the location provides. They achieve this by delivering industry specific skills which are based on demands. This occurs in a dynamic way through interaction, continually updating and upgrading them. There may be merit in Wales focusing attention on similar skills academies providing the human capital needs of potential MNE investors.

5) To what extent does the available data provide a clear and comprehensive picture of inward investment into Wales, and are there any improvements that should be made?

Recent LSE research supported by UK Research and Innovation (UKRI) demonstrates the potential of AI and large language models (LLMs) to enhance monitoring and analysis by combining structured investment data with unstructured sources (company reports and news). This can help identify inward investment aligned with policy goals (including digitalisation and decarbonisation) beyond standard sector classifications, and support real-time intelligence on firms most likely to invest in Wales. There is also scope for closer collaboration between government and academia to scale these methods into operational tools and move from reactive to predictive investment promotion.

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Y Pwyllgor Busnes

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Andrew RT Davies MS
Chair, Economy, Trade and Rural Affairs Committee

21 January 2026

Dear Andrew,

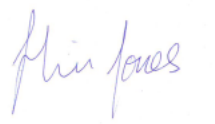
Timetables for Bill Scrutiny

Thank you for your letter of 19 December 2025, reflecting on your Committee's experience of the timetable for scrutiny of the general principles of the Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill. The Business Committee considered the points raised at our meeting on 13 January 2026.

We acknowledge the challenges for committees and stakeholders that have been posed by the restricted timetable for this Bill, and those agreed for other Bills in the final year of the Welsh Government's legislative programme. We do not consider that this type of timetable should be routinely used in the future.

The Business Committee will be setting out our views on Bill timetabling more generally in our forthcoming report on our review of the Public Bill process. The points outlined in your letter and in Recommendation 1 of your Stage 1 report of the Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill will be taken into consideration when completing this review.

Yours sincerely,



The Rt Hon Elin Jones MS
Chair of the Business Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Pwyllgor yr Economi, Masnach a Materion Gwledig
—
Economy, Trade, and Rural Affairs Committee

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Martin Reid
RHA Policy Director for Wales
Road Haulage Association

Eugene Drennan
Manager
Irish Road Haulage Association

21 January 2026

Dear Martin and Eugene,

Holyhead Port closures

As you will be aware, the Port of Holyhead has experienced two recent berthing incidents, one in December and another earlier this month. The December incident led to the closure of Terminal 5, while the most recent incident resulted in the full closure of the Port on 7 January.

The insight you shared with the Committee regarding the 2024/25 closure was very helpful in enabling Members to understand how the closure affected hauliers and the issues they faced as a result. I would be grateful if you could share your views on the most recent closure. In particular, I would appreciate your thoughts on the following:

- What are your views on the differences between the response to the 2024/25 closure and the 2026 closure?
- Do you believe lessons were learned from the last closure?
- How have you found engagement with the Irish Sea Taskforce?
- The Welsh Government was previously working on a freight strategy and the Cabinet Secretary told us the work of the taskforce would contribute to it. Subsequently, the

Cabinet Secretary has announced the Taskforce's recommendations will be reflected in a ports and maritime, freight and logistics plan. Do you have any views on this decision and the Welsh Government's engagement around the freight strategy/new plan?

- Is there anything else you think we might find useful regarding the Port and the incidents?

Thank you for your continued engagement with the Committee, your insight is invaluable in helping us to understand the situation and to form our recommendations.

I have copied this letter to Llyr Gruffydd in his capacity as Chair of the Climate Change, Environment, and Infrastructure Committee as transport sits within their remit.

Yours sincerely,

Andrew RT Davies MS
Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

CC: Llyr Gruffydd MS, Chair, Climate Change, Environment, and Infrastructure Committee

Pwyllgor yr Economi, Masnach a Materion Gwledig
—
Economy, Trade, and Rural Affairs Committee

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Ken Skates MS
Cabinet Secretary for Transport and North Wales

21 January 2026

Dear Ken,

Holyhead Port closure

Following my letter regarding the berthing incident at Holyhead on 5 December, there has been yet another berthing incident at the Port. This one led to the full closure of the Port on 7 January.

Whilst I accept this closure was significantly shorter than the closure we saw last year, given the vital role of the port for Wales' economy, trade and transport, this second full port closure is extremely concerning. I was pleased to note from press reports that you have sought reassurance from Stena Line Ports regarding the integrity of the port and its services.

Given this closure comes almost exactly a year after the previous one, as well as the questions in my previous letter, I would be keen to understand the impact of this closure and how you felt the response to this closure compared to that last year. I would also be interested in your overall views on the current resilience at the port. Please could you answer the following questions:

1. Were there any lessons from the previous full closure of the Port in December 2024-January 2025 do you consider were most relevant this time around?

2. How was the Irish Sea Taskforce work reflected in the response to the most recent closure?

3. Given the port is a piece of critical national infrastructure, were you reassured regarding the integrity of the port and services after speaking to Stena Line Ports? Is there any work you feel may need to be undertaken to improve that?

Thank you for your attention to this important issue. It would be helpful to our continuing work on the issue if we could receive your response by 13 February.

I have copied this letter to Llyr Gruffydd MS in his capacity as Chair of the Climate Change, Environment, and Infrastructure Committee.

Yours sincerely,

Andrew RT Davies MS
Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

CC: Llyr Gruffydd MS, Chair, Climate Change, Environment, and Infrastructure Committee

Department for Transport

From the Secretary of State
Rt Hon Heidi Alexander MP

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Our Ref: MC/00050230

Andrew RT Davies MS
Chair of the Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff Bay, Cardiff
CF99 1SN

21 January 2026

Dear Andrew,

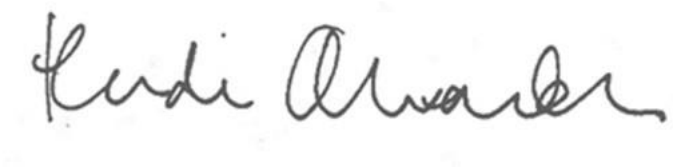
Thank you for your letter of 30 September, following your visit to the Global Centre of Rail Excellence (GCRE). Please accept my apologies for the delayed response.

My department recognises the potential of GCREs proposal to support innovation in British Rail. We have carefully considered the case for additional support, beyond the £20m already provided by the UK Government, to help it secure the private investment needed to move the project forward. My officials remain in close contact with GCRE and have encouraged them to strengthen their business case. This will help provide clearer evidence around feasibility, costs, and benefits to the wider UK rail network, and how the proposals align with other testing facilities. I believe it is the shared interest of both the UK and Welsh Governments to ensure public money is managed responsibly and effectively.

As you know, we are working closely with Transport for Wales, and Welsh Government on delivering the Railways Bill. This will help stronger collaboration between our governments and support the partnership between GBR's Wales and Borders business unit and Transport for Wales. The creation of Great British Railways (GBR) presents a key opportunity to put technological transformation and innovation at the heart of the industry’s efforts to modernise rail infrastructure, improve services, enhance reliability and safety, and reduce costs.

While we cannot make any commercial commitments on behalf of GBR, my officials are open to continuing discussions with GCRE and on other ways to support UK rail innovation, I would also strongly encourage the GCRE team to engage with Network Rail and the DfT Operator (DFTO), who are well placed to help refine and validate their proposals ahead of GBR's formal establishment.

Yours sincerely,



Rt Hon Heidi Alexander MP

SECRETARY OF STATE FOR TRANSPORT

Environment, Food and Rural Affairs Committee

Wednesday, 21 January 2026

Andrew RT Davies MS
Chair, Senedd Economy, Trade and Rural Affairs Committee
CC: Edward Mountain MSP, Convener of the Scottish Parliament's Net Zero, Energy and Transport Committee
By email

Subject: Banning Peat Compost

Dear Andrew,

Thank you for your letter regarding the use of peat compost and the importance of protecting our peatlands. The Environment, Food and Rural Affairs Committee shares your concern about the environmental impact of peat extraction and we recognise the strong public support for action.

As you note, one of my colleagues has a particular interest in this issue and we will bear your letter in mind as we consider our future work programme.

While I am limited by the fact that the Committee has not yet taken a formal position on the matter, I am keen to explore opportunities for collaboration where possible, and I appreciate your offer to work together within the time available before the Senedd election.

Thank you again for raising this important issue. Please do keep us informed of any developments on your side, and I will ensure your views are considered as we plan our work.

Yours ever,

Alistair

Rt Hon Mr Alistair Carmichael MP
Chair, Environment, Food and Rural Affairs Committee

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Mark Drakeford AS/MS
Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language
Cardiff Bay
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Cc: Economy, Trade and Rural Affairs Committee
Legislation, Justice and Constitution Committee

23 January 2026

Subject: Development of Tourism and Regulation of Visitor Accommodation Bill

Dear Cabinet Secretary,

I am writing to you as the Chief Executive of the STAA (Short-Term Accommodation Association), the UK-wide trade association for the short-term rental industry. We represent and support the thousands of individuals in Wales (as well as the wider UK) who let out their homes and rooms in this vital part of the tourism sector, and the businesses who support them.

The STAA appreciates the ongoing work put into designing the Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill and we are grateful to have been given the opportunity to submit evidence before the Economy, Trade and Rural Affairs (ETRA) Committee. It has been encouraging to see our comments addressed and some of our recommendations taken on board. Still, there are a number of concerns the STAA retains around the content of the Bill and the direction in which the Bill is progressing. We outline these below.

Further Senedd approval: The STAA and the wider sector support the principles of the Bill. We also welcome the fact the Welsh Government has learnt lessons from Scotland and that you have committed to engaging with the sector further so that we can make this licensing scheme one that truly develops (rather than erodes) the Welsh tourism industry. However, we share ETRA and JLC committees' concern with the haste with which this Bill has been introduced and the lack of scrutiny of the wording of the Bill. We find that flaws in the drafting and areas of subjectivity mean that the Bill fails to provide businesses with the certainty and confidence they need.

The STAA thus strongly supports Recommendation 3 from the Stage 1 report by the ETRA committee, i.e. we call on the Welsh Government to amend the Bill at Stage 2 to make commencement of the licensing scheme subject to further Senedd approval. Given the rushed timeline of the Bill, a full Senedd vote prior to scheme coming into force would enhance the democratic legitimacy of the legislation. This would allow for the engagement with the sector you have promised and for the numerous delegated matters, and those subjective matters left to guidance, to be developed properly without delaying the passing of the Bill.

Capacity assessment: We appreciate you confirming that the Welsh Government officials will review the evidence provided by the STAA around expected processing time and cost of licence applications.

Clear evidence from the government of an impact assessment proving that officials have the necessary resources and capacity to process applications at pace would go a long way towards mitigating the uncertainty faced by businesses. We would be pleased to have a dedicated meeting with your officials, to talk through our evidence in more detail and work with them to craft the necessary assurances that licences can be processed in a quick and timely manner, should our concerns around "apply and wait" as set out below not be addressed.

"Apply and wait" approach: The STAA would like to reiterate its concerns around the current "apply and wait" approach. This approach provides great uncertainty to businesses who will be left with uncertainty about whether they will be able to continue operating and accept future bookings while awaiting the outcome of their application. Lessons from the equivalent scheme in Scotland support this - reduced supply of accommodation caused issues during major events and this was due not to the fact that these premises had been deemed unsafe but that many licenses had yet to be approved. These concerns are exacerbated by the current uncertainty around processing times. We support instead an "apply and go" approach, where a VAP is granted an automatic licence number on submission of the application with the required documents, followed by a risk-based approach to document checks and a right to rectify any mistakes before a license is revoked. We understand there is an industry consensus around this; technology allows it to be possible and it is in line with best practice being increasingly adopted in other jurisdictions.

Clarification on license length: The STAA welcomes the proposed amendment to allow for a longer minimum licence period to be specified. However, we believe this should be clarified in stronger terms. Rather than a provision to grant longer licenses, we call for the starting point to already be licenses that last longer than one year. Three years would be in line with international best practice.

Sections 46 and 47: We ask for further clarification of what sections 46 and 47 offences would actually require of booking platforms. While our platform members are keen to cooperate by ensuring 'compliance by design', e.g. by making a registration number mandatory on all listings, and ensuring that inputted numbers have to follow a consistent format, they should not be held liable for something out of their control. We believe that platforms having robust 'notice and takedown' processes in place to ensure that non-compliant listings are swiftly removed when brought to their attention should be sufficient to act as a reasonable defence, and we believe it is important that this be clarified before the legislation completes its parliamentary process. We would welcome further detail on how platforms, agents and property managers would be able to verify registration numbers.

Again, we would reiterate that accepting the ETRA committee's Recommendation 3 to make the launch of the scheme subject to further Senedd approval would allow the Welsh Government and the sector to work collaboratively on this detail before the scheme is operational.

Thank you for taking the time to consider our concerns. I would be very open to discussing any of these matters further with you and your officials prior to the Stage 2 debate.

Kind regards,

Andy Fenner,
STAA Chief Executive

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