

Agenda – Environment and Sustainability Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Wednesday, 13 January
2016

Meeting time: 09.00

For further information contact:

Alun Davidson

Committee Clerk

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Private pre-meeting (08.45–09.00)

1 Introductions, apologies and substitutions

2 Inquiry into a Smarter Energy Future for Wales (Pages 1 – 34)

Attached Documents:

Research Brief

Inquiry into A Smarter Energy Future for Wales – Storage

(09.00–10.00)

Dr Jill Cainey, Electricity Storage Network

Chloe Bines, Eunomia

Paul Brodrick, Siemens

Inquiry into A Smarter Energy Future for Wales – Ofgem

(10.00–11.00)

Maxine Frerk, Ofgem

Lia Murphy, Ofgem

Inquiry into A Smarter Energy Future for Wales – Ministerial evidence session

(11.00–12.00)

(Pages 35 – 36)

Edwina Hart AM, Minister for Economy, Science and Transport

Carl Sargeant AM, Minister for Natural Resources

James Price, Deputy Permanent Secretary, Economy, Skills & Natural Resources



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Professor Ron Loveland, Energy Advisor to the Welsh Government
Prys Davies, Deputy Director, Energy, Water & Flood

Paper 1: Ministerial paper on energy responsibilities

Attached Documents:

Paper 1

3 Papers to note

Response from the Minister for Natural Resources: Funding for Community Energy Schemes in Wales

(Pages 37 – 39)

Attached Documents:

Paper 2

Private Debrief (12.00–12.20)

Agenda Item 2

Document is Restricted

Agenda Item 2.3

Welsh Government Paper for the Environment and Sustainability Committee inquiry into a smarter energy future for Wales

This paper sets out the Minister for Economy, Science and Transport's and the Minister for Natural Resources' portfolio responsibilities for energy.

1. Setting a clear direction

The Welsh Government's energy policy is set out in ***Energy Wales: A Low Carbon Transition (2012)***. The aim is a low carbon economy that delivers jobs and long term prosperity working in partnership with businesses and communities to deliver a smarter low carbon energy future for Wales.

In keeping with the Minister for Economy, Science and Transport's energy responsibilities an Energy Statement was issued in April 2015 outlining how to continue with the transition to a low-carbon economy working with industry and other stakeholders. It recognises the need to create a stable, innovative, yet flexible environment for long term investment and employment. The statement defined a clear vision

- Safeguard and maximise the Welsh energy position through strong leadership across government;
- Maximise the benefit to Wales of the transition to low carbon generation, for businesses, universities, households and communities.
- Maintain a business friendly and competitive environment for investment and affordable supply;
- Seek to secure parity and increased influence within the UK, and wider afield, for Wales and Welsh interests.

The energy statement is designed to play a major role in driving economic growth, supporting the growth of green jobs and skills throughout Wales and increasing through innovation the competitiveness of our businesses.

The Green Growth approach in Wales aims to foster economic development and social equity while ensuring that our natural assets can continue to provide the resources and environmental services on which our well-being relies. *Green Growth Wales: Local Energy* sets out the Welsh Government vision for delivering on local energy in Wales across the Natural Resources portfolio.

2. Responsibilities

The Minister for Economy Science and Transport is responsible for:

- **Energy policy, major energy facilities and infrastructure (including grid), devolution in energy matters, steel, coal, oil and gas.** The current priority is devolution of energy matters via the Wales Bill and Energy Bill;
- **Economic sectors including Energy and Environment, Advanced Materials and Manufacturing and Construction.** Delivery of jobs and growth and the exploitation of supply chain opportunities on major projects including Wylfa Newydd, Magnox decommissioning and Swansea Bay Tidal Lagoon.

- **Science, research and innovation including research and development, knowledge transfer and commercialization.** Action in respect of Science for Wales' grand challenges of low carbon energy and environment and exploitation of RDI energy opportunities;
- **Ministerial and sector groups that provide expert advice and direction on energy matters.** Key advisory include the Energy Wales strategic delivery group; Energy and Environment sector panel, Marine Industry task and finish group and Magnox task and finish group.

The Minister for Natural Resources is responsible for:

- **Policy relating to: small-medium scale energy production, domestic energy, energy efficiency and the reduction of fuel poverty.** Key priorities include Green Growth Wales: Local Energy, Energy Efficiency Strategy and the Warm Homes programme.

In addition, other areas of the portfolio which impact on energy include:

- **Cross-cutting responsibility for Sustainable Development, including the Well-being of Future Generations (Wales) Bill.** Energy generation in Wales is an important component in delivering the well-being goals set out in the Well-being of Future Generations (Wales) Act.
- **Natural Resources Wales.** NRW's enterprise and regulatory functions support green growth and the wider transition to a low carbon society and addressing climate change;
- **Cross-cutting measures of mitigation and adaptation in relation to climate change.** The Environment (Wales) Bill will strengthen carbon reduction commitments by putting in place statutory climate change targets and carbon budgeting with the aim of at least an 80% CO₂ reduction by 2050.
- **Sustainable resource and waste management in Wales** The ambition is for Wales to recycle 70% of all waste by 2025 and be zero waste by 2050.
- **All aspects of planning policy, including the issue of statutory guidance to Local Authorities, and the determination of planning disputes and appeals.** Planning Policy Wales provides the context for energy and planning policy in Wales. Other planning responsibilities include Developments of National Significance, determination of energy consents, and permitted development.
- **Building Regulations (The exemption of certain classes of building from Building Regulations, and the determination of appeals on matters relating to them).** Building regulations set standards for energy efficiency and low carbon in design and construction.

Carl Sargeant AC / AM
Y Gweinidog Cyfoeth Naturiol
Minister for Natural Resources

Llywodraeth Cymru
Welsh Government

Alun Fred Jones,
Chair of the Environment and Sustainability Committee,
National Assembly for Wales,
Cardiff Bay,
Cardiff,
CF99 1NA.

16 December 2015

Dear Alun Ffred

Funding for Community Energy Schemes in Wales

Thank you for your letter of 23 November 2015 on behalf of the Environment and Sustainability Committee. I am delighted to have the opportunity to set out how the Welsh Government has supported community energy projects over the last five years.

The Welsh Government established the Ynni'r Fro community renewable energy support scheme in 2010, using Welsh Government and European funding. It was a programme designed to encourage the development of community renewable energy in Wales, particularly to establish community social enterprises that would generate a sustainable income from renewable energy installations.

The programme built on elements of the first community support programme run by the Scottish Government, but brought together the three important elements of grant funding for scheme development, advice and support from experienced local delivery officers, and access to capital construction funds. In our mid programme evaluation of Ynni'r Fro a leading community energy practitioner working with the independent evaluator considered that this combination of support throughout the lifetime of community projects was "head and shoulders" above the support then provided in other UK administrations. We are told that Ynni'r Fro was studied during the development of the CARES fund in Scotland, which is also delivered by the Energy Saving Trust, the contractor delivering Ynni'r Fro. We understand that in Wales we provide a higher level of grant support than in Scotland or England for the earliest, risky stages of project development.

The service supported over 200 communities to scope out projects in its five years of delivery. I understand that you heard from some of the communities who have received support during your evidence sessions, and I am pleased that we were able to provide Ynni Padarn Peris with £70,783 of preparatory funding, £69,079 of capital funding and 84 hours of Development Officer support; and Abergwyngregyn Generation Company with £35,018 of preparatory funding and 40 hours of Development Officer support.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Since the Ynni'r Fro scheme ended with the ERDF programme in March 2015, I have demonstrated my commitment to community energy by continuing to provide support from Welsh Government revenue and capital funds. This has preserved the local development officer service that communities considered so important in the programme's independent evaluation. It has also enabled us to respond in innovative ways to the opportunities arising in the fast moving field of local energy. For example, Carmarthenshire Energy Limited (CELT) were offered the option to purchase a renewable energy project from a developer at the start of the construction stage. CELT needed fast access to capital to make initial payments, and we were able rapidly to provide a bridging loan to enable them to close the deal, and then launch a share offer and secure a loan from a commercial lender to raise the construction costs. These sources will repay the loan, enabling us to recycle the funds for the benefit of other communities, whilst the CELT project will ultimately provide significant community benefits to the area.

As part of the legacy of Ynni'r Fro, we commissioned the Energy Saving Trust and Ricardo-AEA to develop a toolkit to provide guidance to communities and businesses on all aspects of developing a renewable energy project. This toolkit has been developed in conjunction with Scotland, but provided bilingually and tailored to the Welsh planning and permitting systems. Any improvements or developments to the toolkit content made in Wales, Scotland or England (where the toolkit has been adapted for inclusion in the DECC Community Energy Hub) will be passed to the other nations so all can benefit.

The Welsh Government will be launching the **Welsh Government Local Energy** service in January 2016, which will support community groups, SMEs and social enterprises to develop local energy projects. We have designed the service collaboratively with a group of community and local energy stakeholders, principally from Wales but also including respected members of the community energy sector across the UK. The design work recognised that we need communities, local authorities and developers all to work together in the interests of the people of Wales if we are to realise the full benefits from local energy. As a result of this co-design, the scheme will provide tailored support related to the capacity of the applicant, which will ensure that communities who need it most will receive the maximum support from the scheme.

This new service will offer the tried and tested combination of locally rooted advice and access to finance, with the addition of an improved range of technical capacity in areas of expertise such as planning, legal and financial matters that are key to developing successful projects in a timely manner. The service will also have a partnership facility to allow community groups to make links with other groups, developers and landowners, bringing together the necessary local partners for successful delivery, as well as online support providing templates and other technical information as the toolkit evolves. As part of this, work is under way to determine a range of funding models that can enable community energy to continue following the reduction or removal of UK support tariffs.

My officials work collaboratively with Scottish Government colleagues on community renewable energy. I wrote jointly with the Scottish Energy Minister, Fergus Ewing, to the Secretary of State at the Department of Energy and Climate Change in relation to the impact of proposed changes to the Feed in Tariffs as these will disproportionately affect community energy schemes. Welsh Government officials have travelled to Scotland on a number of occasions over the last two years, and were planning to host Scottish colleagues in Wales this summer before those announcements by the UK Government. Scottish Government officials invited my team along with DECC officials to take part in the roundtable discussions on community energy that they organised last month. Officials have also met with Local Energy Scotland to discuss the CARES service that they administer on behalf of Scottish Government.

Welsh Government is also providing funding to Community Energy Wales to establish itself as a membership organisation to provide assistance and a voice to community groups developing energy projects.

With regard to promoting examples and opportunities for Wales within the European movement, it has been found that the definition of “smart” differs for each individual city and town and the level of focus on energy similarly will differ as part of the overall package the city and town requires to service its needs.

Lessons learned from other countries with successful levels of European exposure and funding, including Scotland, have indicated there is a need to prioritise areas where funding is needed and to build up long-term relationships with other countries to become the partner of choice when bids for funding for these areas are being considered. This applies at community, town and city levels.

My officials are facilitating the development of these building blocks by working across Welsh Government to encourage and help cities and towns to make connections, including through the knowledge transfer network, universities, and businesses, so they can build up the relationships and routes they need for success at local, UK and European levels. This approach adds value to the ongoing work being undertaken for City Deal, City regions and now a focus on urban living which also encompasses the mid level towns that aspire to be “smart”.

I do hope that this information is useful to your inquiry, and look forward to providing more information about the broader support for local energy that I am leading across my portfolio.

Yours sincerely



Carl Sargeant AC / AM
Y Gweinidog Cyfoeth Naturiol
Minister for Natural Resources