



Llywodraeth Cymru  
Welsh Government

Llyr Gruffydd MS

Chair, Climate Change, Environment and Infrastructure Committee

6 March 2023

Dear Llyr,

Thank you for your letter of 6 February 2023 containing the Climate Change, Environment and Infrastructure Committee's report on its Scrutiny of the Government's Draft Budget 2023 – 24. We are grateful for the Committee's work on this. Please find attached the Welsh Government's response.

Yours sincerely,

**Julie James AS/MS**  
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Minister for Climate Change

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# Response to Climate Change, Environment and Infrastructure Committee’s report on its Scrutiny of the Government’s Draft Budget 2023 – 24

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## Climate Change

### Recommendation 1

The Committee recommends that:

The Minister should explain whether and how changes have been made to the budget allocations for 2023-24 to reflect the additional climate change adaptation actions it is planning to take, following the CCC's latest assessment of climate risk

#### **Response: Accept**

Through the 2021 Spending Review we undertook a zero-based review of all capital spending through our work developing the Wales Infrastructure and Investment Strategy. A key part of this strategy is resilience to future trends, including our climate.

Our budget allocations for 2023-24 therefore support a wide range of policy measures for addressing the impacts of climate change and the areas of risk highlighted by the CCC. The progress report we published in December on our national climate change adaptation plan, *Prosperity for All: A Climate Conscious Wales*, sets out the huge amount of climate adaptation work we are taking forward across policy areas, often tackling climate risk as an additional benefit, integrating climate conscious ways of working to existing activities and spend allocations. This includes measures for safeguarding our land, water resources, health, nature and built environment in the face of climate change. Funding for these policy measures is embedded within the budget allocations across departments for 2023-24.

The Strategic Integrated Impact Assessment published alongside the Budget provides details of the allocations made, including details of the Infrastructure Investment Pipeline to show where we have aligned activity (the environmental section, page 35 - section 46 – 51). Looking to the future, we continue to work with the Budget Improvement and Impact Advisory Group (BIIAG) looking at how tools such as carbon and nature budgeting can be used more effectively in the budget process.

**Financial Implications** – no additional implications.

### Recommendation 2.

The Committee recommends that:

The Minister should commit to including annual updates on how the Welsh Government is working to leverage private investment to finance the transition to net zero. These updates should be incorporated into information provided by the Minister to the Committee to inform its scrutiny of future draft budgets.

#### **Response: Accept**

Net Zero Wales [Net Zero Wales Carbon Budget 2 \(2021 to 2025\) | GOV.WALES](#) set out the latest estimates on the approximate level of additional investment required for delivering net zero in Wales, based on analysis by the Climate Change Committee (CCC 2020). Whilst we recognise that investment in the net zero transition needs to ramp up significantly over the short, medium and long-term, there is little variability on Welsh Government actions year to year due to budget and policy making cycles. In addition, many of the key levers to drive private investment lie outside devolved competence.

Taking a systems-based approach and strategic view aligned with our carbon budgets is an appropriate way to consider the role, scale and opportunities to stimulate private investment in Wales. The carbon budget cycle has been intentionally aligned with the Senedd cycle to aid scrutiny and transparency. Consequently, we will provide the detail of the work to leverage private investment in line with the policy cycle (the next plan for Carbon Budget 3, due in 2026) but in the meantime we will provide an annual update of any significant changes which have material implications in Wales.

**Financial Implications** – Although none, there are resource costs from officials undertaking a review each year

## Renewable Energy

### Recommendation 3.

The Committee recommends that:

The Minister should provide details of:

- work undertaken to assess the cost of establishing the new publicly-owned renewable energy developer and the ongoing operational costs,
- the budget allocation for the renewable energy developer for 2023-24 and the indicative allocation for 2024-25 (when the developer will be operational), and
- the steps the Welsh Government has taken, and plans to take, to attract private investment to support the work of the publicly-owned renewable energy developer.

### Response: Accept

In Net Zero Wales, the Welsh Government committed to “Establish a Welsh Government or public energy developer to accelerate the delivery of renewables”. We have engaged a small project team with extensive professional experience in the renewables industry and in establishing organisations, who are working with Welsh Government officials to deliver the commitment to establish the organisation by April 2024. We have benchmarked costs for the company against other similar organisations and these assumptions will now be market tested as we start to establish the company.

The budget allocated to the Renewable Energy Developer for 2023-24 within the existing Clean Energy budget is up to £2.7m. This includes the cost of the project team, initial set up costs for the organisation, and recruiting and transitioning to the permanent team and Board. The indicative budget allocated to support the organisation for 2024-25 is £1.8m, which will be refined as actual costs are established during the next year.

Projects will be developed in stages, with a number of decision points where the viability of the project will be assessed before Ministers make a decision to commit additional funding. Our development team estimate large wind projects will have an average development phase cost of between £3 million and £4 million. This will take the project up to securing a planning consent, although costs will vary depending on the scale and complexity of the project.

Following award of planning permission, Ministers will decide whether to sell each project or retain ownership during the construction and operational phases on a case-by-case basis. Retaining ownership through the construction and operational phase would give Welsh Government the opportunity to have a greater influence over supply chain and workforce benefits.

We will be looking at how Welsh ownership of projects can be retained through different approaches to funding. For example, this is likely to include working with pension funds and organisations such as Ripple Energy. The Ripple model, pioneered in Wales, allows families and businesses to be part of a cooperative that owns a wind farm, connecting their bills directly with the electricity it generates. Establishing the developer provides the opportunity to explore a range of approaches to ensure Welsh citizens receive direct benefits from generation in Wales.

#### **Recommendation 4.**

The Committee recommends that:

The Minister should provide a detailed explanation of what the additional allocation for the Welsh Government Energy Service is expected to deliver.

#### **Response: Accept**

A new Energy Service contract is currently being procured. Once a new supplier is in place, we will work with the new supplier to formulate the Energy Service's delivery plan.

The new service will be required to evolve its provision in response to the changing demands of decarbonisation. We have been clear in specifying the requirement for the new service that we expect a shift to focus resources on the newer and tougher challenges within the energy system. This will involve support for the better understood areas being provided through guidance and communities of peers within the public and community sectors who have delivery expertise.

However, we are clear that additional support is needed to tackle some of the tougher challenges. Decarbonising heating is one of these areas. We have previously provided revenue funding for 18 organisations across the public sector to plan and develop low carbon heat projects to directly address building emissions. We expect these pilots will develop into projects requiring capital funding through the energy service. In addition to the existing Energy Service capital allocation, the Local Government budget is providing £20m for low carbon heat projects which the Energy Service will help to support through to successful delivery.

Additional funding is also needed to address the significant challenges around decarbonising heat and achieving net zero, by widening the scope of support to consider place based approaches to private and residential heat. The delivery plans associated with the four Regional Energy Strategies address issues such as decarbonisation of homes and increased local generation to meet the needs of electrified heating, transport and industrial electrification. The allocation will fund the service to work with regions and authorities to turn these ambitious plans into deliverable projects.

Procurement approaches are also vital to delivering our ambition for a net zero public sector by 2030. Scope 3 emissions currently account for over 60% of

emissions across the public sector, and in some organisations, it accounts for 80%. We will shortly have a report of recommendations and actions to deliver decarbonisation through procurement. The Energy Service will be a key mechanism to help public bodies implement these recommendations and actions.

### **Recommendation 5.**

The Committee recommends that:

The Minister should provide a breakdown of how the £1m allocated to Ynni Cymru last year was spent.

### **Response: Accept**

Communities and smart local energy systems are an important part of our future energy system. The Programme for Government commits to work towards the creation of Ynni Cymru to accelerate delivery of community owned renewable energy generation.

The forecast expenditure for 2022/23 is £51,000. This includes work to scope and develop plans to establish Ynni Cymru in initial form. It will also provide resource to accelerate delivery of community owned renewable energy generation.

The overall value of the commitment over the 3 years of the agreement is £6m in revenue and £30m of capital funding. As the commitment is at a relatively early stage of delivery, focused on scoping Ynni Cymru functions and location, the budget has been reprofiled to more closely connect the allocation with the expected profile of expenditure.

## Decarbonising Wales' existing homes

### Recommendation 6.

The Committee recommends that:

The Minister should clarify the total level of investment in housing retrofit activity for 2023-24, including to support retrofit in the private rented and owner occupier sectors.

### Response: Accept

£92 million is set out in the 2023-24 budget to specifically provide support to housing retrofit activity. Of this £70million has been indicatively allocated to the social housing sector following the implementation of the Optimised Retrofit Programme's third phase. In 2022-23 £60 million was allocated to social housing landlords using a formula funding approach.

For the current phase of ORP (3.0) we have changed our approach and moved away from competitive bidding and to a formula funding basis for our grant. This recognises that all RSLs need to come on the decarbonisation journey; and ensures that support is consistently available to them. The ORP investment sits alongside MRA funding and Dowry funding (for LAs and large-scale voluntary transfers (LSVTs)) of an additional £108 million per annum.

The remaining elements of the budget (circa £22m) will be utilised to support projects including supporting pilots linked to the area-based approach, continuing to support retrofit activities in the private rented sector in partnership with the Leasing Scheme Wales, and exploring other opportunities to support privately owned homes.

£35m capital funding is set out in the 2023-24 budget to support energy efficiency and fuel poverty schemes. This represents a 10% increase in budget compared to 2023/24.

In 2023/24, a funding contribution of £2.325m has been agreed to support two councils (Bridgend County Borough Council and Caerphilly County Borough Council) to undertake remedial works to support the repair of privately owned / rented homes damaged through the UK Government's Community Energy Savings Scheme Programme. In 2023/24 £2.320m has also been agreed to support Cardiff Council to undertake remedial work to privately owned hard-to-treat steel frame homes, also as part of a joint project.

The remaining element of the budget (circa £30m) is set to deliver energy efficiency measures through the Warm Homes Programme. While the details of a new scheme are yet to be fully developed, I expect to procure a new, demand led scheme which tackles both the climate emergency and fuel poverty towards the end of the year. There will be no gap in provision between the new and existing programmes. The financial split between the current Nest scheme and the new Programme will be monitored to optimise in-year delivery.



## Recommendation 7.

The Committee recommends that:

The Minister should explain the £15m reduction in capital allocation in the 'Residential Decarbonisation and Quality' BEL for 2023-24, including any assessment made on the impact on the delivery of the ORP.

### Response: Accept

There is no reduction in the capital allocation in the 'Residential Decarbonisation and Quality' BEL for 2023-24. The BEL includes £108 million support for MRA and Dowry (equivalent to previous years) and an increased allocation of £92 million to the Optimised Retrofit Programme. £70 million of the ORP is indicatively allocated to social landlords, with the remaining £22 million reserved for pilot projects.

## Recommendation 8.

The Committee recommends that:

The Minister should clarify the number of social homes that have benefitted from the ORP to date. She should also provide details of any assessment made of whether the ORP is on track to have contributed to the decarbonisation journey of 148,000 social homes by the end of 2025 (as set out in Net Zero Wales).

### Response: Accept

Current figures for ORP show that the following level of properties have benefitted from the scheme to date across the various phases:

Phase of ORP	Year	Number of Homes benefitting
ORP 1	2020/21	1,741
ORP 2.1	2021/22	1,802
ORP 2.2	2021/22	3,526
ORP 3.0	2022/23	5,426 (target numbers based on current finalised schemes but not final numbers)

The initial stages of ORP supported small numbers as the programme commenced, reflecting the test and learn approach of the early phases. The initial stages were also curtailed due to the COVID pandemic with access to homes, workforce and supplies compromised during this period. The numbers of properties supported have increased in subsequent years.

For the current phase of ORP we have changed our approach and moved away from the competitive bidding process that was used in previous rounds. We have moved to implement a formula funding basis for the grant which has been well received by our partners and responds to their feedback, and feedback raised by the Committee. This approach recognises that all Residential Social Landlords need to come on the

decarbonisation journey; and ensures that support is consistently available to them to support this.

During the 2022/23 financial year we are making £60m available via grant funding to social landlords and have provided indicative funding for the next two financial years based on £70 million. This allows for better planning by our partners and will, we believe, help to ensure that more homes are retrofitted across the remaining term of government increasing the scale and pace as all our partners are engaged in the programme.

ORP should not be seen as stand-alone in respect to the decarbonisation of Wales's social homes. Integral to the decarbonisation of the social housing sector is our planned new WHQS standard. I will shortly be bringing forward my response to the recent consultation on the revised Standard but fundamental to the way forward is our social housing providers undertaking whole stock assessments and developing target energy pathways for all social homes over the next three years. This is an essential element in the decarbonisation of our housing stock.

### **Recommendation 9.**

The Committee recommends that:

The Minister should clarify whether the draft budget 2023-24 includes allocation for the 'new programme' to support the delivery of a whole housing stock approach to decarbonisation.

### **Response: Accept**

The development of a whole housing stock approach to decarbonisation is intended to provide a long-term strategy for energy efficiency, fuel poverty and decarbonisation for the housing sector. It will help meet the expectations of our second carbon budget Net Zero Wales and integrate with broader housing objectives. The 'new programme' is expected to support the social, owner occupier and private rented sectors and is expected to be accessible to all, including those in the 'able to pay' category, but includes emphasis on funding worst homes first, including those in fuel poverty.

We intend for the approach to be developed through the learning from the Warm Homes and ORP programmes and aligned to other Welsh Government approaches such as the Welsh Housing Quality Standard and Local Area Energy Planning. A core element of the new programme will be learning from the collaboration and partnership that has been gained through our multiple housing programmes, for example working successfully with local authorities, Registered Social Landlords (RSLs), community groups and others.

Decarbonisation of privately owned homes is undoubtedly more complex than dealing with the social sector or those in fuel poverty so we will continue to apply the ORP ethos of 'test and learn'. ORP and the Innovative Housing Programme are already encouraging small scale local community initiatives, across housing sectors as a starting point.

It is intended that work can begin immediately with the evolution of existing mechanisms and project mobilisation to create an integrated approach to transition to the new programme. Funding for pilot schemes can be met from the Optimised Retrofit budget.

## **Transport**

### **Recommendation 10.**

The Committee recommends that:

The Welsh Government should continue to explore all opportunities to reduce fares to ease the impact of the cost-of-living crisis on public transport users in Wales.

Response:

#### **Response: Accept**

We are currently looking at a range of options to make bus travel easier and more accessible for all in the community by simplifying the fares and ticketing system. Current arrangements are very complex and inconsistent across Wales.

Options under consideration include better combined bus and rail ticketing, simplified cash fares, multi journey tickets and opportunities to target younger people when introduced.

Bus deregulation has resulted in a complex, fragmented system of fares and ticketing on local bus services across Wales. Our plans to introduce a franchised network will give us control over fares. We have recently re-let the contract for the T1 bus service and have been able to improve fares on this key strategic bus route.

We have tried to keep the recent increase in regulated rail fares as low as possible. Unfortunately given the disappointing budget settlement from the UK Government we cannot afford to deliver a lower increase or a wholesale freeze of rail fares in Wales.

We recognise rail fares are far more complicated for passengers than they need to be. That is why we have asked Transport for Wales to deliver simple, integrated ticketing solutions across public transport modes to help make public transport easier and more affordable for passengers to use. In addition, despite the challenging financial position, Transport for Wales are retaining a range of cheaper fares for passengers, including free travel for children when they travel with a fare paying adult.

### **Recommendation 11.**

The Committee recommends that:

The Welsh Government should ensure that TfW's budget is transparent, reflects all of its responsibilities and functions and is publicly available in good time.

#### **Response: Accept**

In order to ensure that TfW's budget is transparent and reflects all of its (current and future) responsibilities and functions, we will be undertaking an exercise in advance of the publication of the draft 24/25 budget to review the structure of the transport activities within the Climate Change MEG to ensure that they align with our programmes and priorities.

To ensure that these are publicly available in good time, we are progressing work to update Transport for Wales' Articles of Association and Management Framework. This will include publishing an annual timetable for working with TfW to produce and publish the Welsh Government's funding letter and TfW's business plan which better aligns with the publication of the Welsh Government's budgets and the Committee's scrutiny process.

## **Recommendation 12.**

The Committee recommends that:

The Welsh Government should provide more information about the specific policy interventions it expects to be delivered by the £35m allocated to the Ultra-Low Emission Vehicle Transformation Fund.

### **Response: Accept**

This funding includes activities to decarbonise the transport fleet as well to support the rollout of EV charging infrastructure.

We have already invested in a number of electric buses and will continue to expand this programme in line with the commitments set out in the Programme for Government and Net Zero Wales. We will shortly publish the report of the Bus Fleet Decarbonisation and Demand Aggregation Task and Finish Group, and our response and investment plans over the coming years.

The Welsh Government has developed a programme-level roadmap, setting out actions across five key priorities for Welsh Government and delivery partners for the next 3-5 years, pivotal to the successful **acceleration of EV charging infrastructure across Wales**, and meeting the defined KPIs set by the Strategy. ULEV will support the delivery of these priorities:

- 1. Establish a Programme Management Office (PMO) to govern delivery arrangements, set standards and monitor progress.** This will provide a centralised oversight and management of EV charging infrastructure, creating synergies and cross-collaboration between the public sector and private sector, to the benefit of different charging needs and consumers, from rural communities to public sector fleet.
- 2. Provide support, tools and guidance to enable local authorities (and private sector) to deliver the preferred network of EV charging infrastructure for Wales.** The objective is to optimise the delivery of charging infrastructure, fostering

collaboration between local authorities and private sector. This includes the set-up of a support function, as well as facilitating funding for local authorities.

**3. Engage with the private sector to ensure we optimise the delivery of the preferred network and foster public-private sector collaboration.** Understanding the private sectors' priorities for investment and charge point installation will allow the public sector to intervene where required to maximise equitable access to high quality EV charging for all, as well as avoid duplication of efforts. Incentives for the private sector may also be developed to encourage accelerated roll-out of the preferred network. Cross-sector knowledge sharing and lessons learned can help identify solutions to maximise network coverage across Wales.

**4. Develop the mechanisms, knowledge and tools to deliver the preferred network.** A number of mechanisms need to be in place to enable the delivery partners (TfW, local authorities and the private sector) to implement EV charging infrastructure across Wales. This includes review of regulation and policy, develop funding and financing mechanisms, to futureproofing the grid network and raising public awareness. Furthermore, suitable locations for renewable generation coupled with energy storage will be sought to assist in providing and futureproofing power for the preferred network.

**5. Leverage the resources and mechanisms necessary to rapidly deliver the preferred network in line with policy objectives.** Effective utilisation of the resources and mechanisms developed from priority actions 1-4 will enable projects to be developed and promoted across on-route, destination and on-street charging. Where feasible, the private sector will continue to lead the implementation and operations of the EV charge points across Wales, with expectation where TfW and local authorities will address charging infrastructure gaps, e.g. deliver chargepoints at rural sites deemed commercially unviable. Increasing coverage of EV chargepoints, particularly ultra rapid/rapid chargers across the strategic road network, will ease range anxiety and boost public confidence that long-distance travel is feasible, and encourage the switch from diesel/petrol vehicles to EVs. The role and influence of the public sector aims to ensure that all different charging needs and inclusivity are addressed.

### **Recommendation 13.**

The Committee recommends that:

The Welsh Government should share with the Committee its action plan for decarbonising taxis and PHVs and set out a timeline for consultation and implementation.

### **Response: Accept**

The Taxi and Private Hire Vehicle White Paper will be published in March and will be followed by a formal 12 week consultation. Although the focus of the consultation is not decarbonisation of the fleet, it will ask questions on emissions and vehicle age as

part of national standards and we anticipate respondents will wish to make wider points on the challenges around decarbonisation of the Welsh taxi fleet. Welsh Government officials are also planning a series of face-to-face and virtual engagement events as part of the consultation.

Over the course of the last year there have been two related challenges that need to be factored into plans to decarbonise the fleet – the cost of living crisis and the cost of electricity relative to diesel. In addition, there have been pressures on the global electric vehicle supply chain. My officials are in the process of updating the action plan against this context and are working with external partners to refine proposals for possible incentives as well as modelling potential scenarios for fleet transition. We will share the Action Plan, which will include a timeline for implementation, with the Committee once this work and the White Paper consultation have concluded.

#### **Recommendation 14.**

The Committee recommends that:

The Welsh Government should provide more information about the "deep reform" of active travel delivery mechanisms, including details of when outcomes can be expected and whether additional funding will be necessary. This should include specific information about the role TfW is expected to play.

#### **Response: Accept**

The planned changes will be set out in more detail in the delivery plan for Active Travel that is being developed in response to the review of the Act and the recommendations made by the Cross-Party working group on active travel. A restructuring of the Active Travel Board as a more independent scrutiny body is already underway. The new board is expected to commence work in April and will consider the draft Delivery Plan before it is finalised. The role of TfW in the active travel delivery system will be further strengthened and clarified. It is expected that all changes will be funded from existing active travel budgets.

#### **Recommendation 15.**

The Committee recommends that:

The Welsh Government should provide more information about the status of the Major Asset Renewal programme and the reasons for the apparent lack of progress since April 2022.

#### **Response: Accept**

This programme remains unfunded and we are taking development funds from existing budgets at present. Following publication of the Roads Review report and National Transport Delivery Plan, we have re-engaged Matthew Lugg OBE and his

team to assist us with development of the MAR programme to develop prioritisation methodology that is aligned with newly published policy.

The first MAR scheme – A494 River Dee Bridge renewal – is progressing well and should proceed to construction in 2024/25 if funding is available, followed by urgent schemes on the M4, again, subject to funding.

### **Recommendation 16**

The Committee recommends that:

The Welsh Government should work with local authorities to assess the backlog of local highway maintenance and develop a plan to address it.

### **Response: Accept**

The Local Government revenue settlement to help maintain roads in 2021-2022 was increased in year by £60m to £4.711bn (to allow authorities to manage their budgets more effectively over the medium term). This meant an increase of 5.2% at a Wales level on the 2020-2021 settlement. Funding provided through the Local Government Settlement is un-hypothecated, so Local Authorities may choose how to use this funding alongside their other resources to assess and maintain their local roads and active travel infrastructure. There was also £20m public highways refurbishment capital grant.

We have provided grant aid to all local authorities to assist with the introduction of the 20mph default speed limit. This funding could be used to undertake surveys of the highway network for the condition of road signs and markings, and the company undertaking the survey offered a discount to provide other highway condition data collected at the time.

### **Recommendation 17.**

The Committee recommends that:

The Welsh Government should provide reassurance that the £30m funding for introducing 20mph zones is sufficient to deliver the Welsh Government's ambitions and projected savings, and explain how the funding amount was determined.

### **Response: Accept**

The transitional costs were calculated to be £32.5m. The calculation of which was made as part of the [Regulatory Impact Assessment](#) for the introduction of the legislation to reduce the default speed limit on restricted roads in Wales from 30mph to 20mph. £11m was provided this financial year and £21.5 will be provided in the next.



## **Biodiversity**

### **Recommendation 18.**

The Committee recommends that:

The Welsh Government should provide an update within the next six months on progress in developing a "whole-government" programme for the nature emergency, including the timescales for implementation.

#### **Response: Accept**

The Biodiversity Taskforce has been established to mainstream biodiversity and deliver against the Programme for Government objective to embed biodiversity in all we do. Further details of the work programme will be provided within the next six months.

### **Recommendation 19.**

The Committee recommends that:

The Welsh Government should explain what impact the reduction of £1.4m for the 'Enabling Natural Resources' BEL will have on specific projects, programmes or interventions.

#### **Response: Accept**

Officials continue to work with the remaining ENRaW projects to maximise their delivery. Many have been negatively affected by the restrictions and implications of the Covid 19 pandemic which will result in a number underspending. Individual projects will not be restricted as a result of this budget change.

### **Recommendation 20.**

The Committee recommends that:

The Welsh Government should provide an update within the next six months on the progress of the 30x30 target in Wales, including reassurance that there is sufficient staffing resource with the right mix of skills to deliver on this agenda. This should include further information about progress towards the development of financial models to deliver the 30x30 targets.

#### **Response: Accept**

Following publication of the recommendations, the core group have agreed to continue to meet to oversee the implementation. Work is underway to co-produce the action plan underpinning the recommendations with a broader set of

stakeholders to support the approach of delivery by 'Team Wales'. An update will be provided within six months on delivery against the deep dive 30x30 recommendations.

### **Recommendation 21.**

The Committee recommends that:

The Welsh Government should provide details about the timeline for introducing statutory biodiversity targets and the legislative vehicle that will be used to bring them forward.

#### **Response: Accept**

Following the agreement of the Kunming-Montreal Global Biodiversity Framework on 18<sup>th</sup> December 2023, officials have begun the work of scoping appropriate statutory domestic targets to drive transformative action to tackle the nature crisis. The Government remains committed to working towards a statutory duty and targets to protect and restore biodiversity this Senedd.

### **Recommendation 22.**

The Committee recommends that:

The Welsh Government should provide reassurance that there is sufficient staff to progress the Marine Conservation Zone process and confirm how much of the £1.9m of the overall marine biodiversity allocation has been earmarked for this work.

#### **Response: Accept**

The Marine Conservation Zone designation process is an active priority for this Government and I can assure you it continues to be adequately resourced. Sufficient allocation of funding has been provided for this year to ensure the programmes delivery.

### **Recommendation 23.**

The Committee recommends that:

The Minister should provide an update on her consideration of whether the Nature Networks Programme can fund MPA feature condition assessments.

#### **Response: Accept**

The Improving Marine Conservation Advice (IMCA) project is one of several being delivered by NRW and funded through the Nature Networks Programme. The project will run for 3 years with provisional condition assessments expected in 2025.

## **Recommendation 24.**

The Committee recommends that:

The Welsh Government should keep the Committee informed of the progress towards developing a replacement scheme for the EU LIFE programme after it ends in 2023-24.

### **Response: Accept**

Unfortunately, there are currently no UK Government plans for a replacement scheme for the EU LIFE funding programme. We will continue to argue the case with the UK Government and keep the Committee informed of any progress. As things stand the last two projects in Wales that commenced in 2022/23 which Welsh Government is match funding will end in 2025/26.

## Forestry and Woodland

### Recommendation 25.

The Committee recommends that:

The Minister should report back to the Committee on take-up of the My tree, Our forest initiative in 2022-23, including total spend, the number of trees planted, and any assessment made of its impact on public attitudes towards climate change.  
Response:

#### **Response: Accept**

As of 28 February, 56,022 trees had been given away or planted on behalf of someone through the My Tree, Our Forest campaign. Over 50 hubs were open across Wales to give out trees between 15/11/22 and 19/12/22. The hubs re-opened on 20/02/23 and will be open until 31/03/23. There are also options for someone to have a tree posted for them or planted on their behalf.

The total budget for the campaign is £1.5 million, and we expect the campaign to be delivered within that total. Coed Cadw and their community partner Llais y Goedwig are monitoring the reaction to the campaign. Informal feedback reports a very positive reaction from people collecting their trees from the distribution hubs around the country, however evaluation of the success of the campaign will be carried out after the campaign has finished.

**Financial impact:** None.

### Recommendation 26.

The Committee recommends that:

The Minister should provide further details on the pilot projects to test approaches to private investment in forestry. This should include an indicative timetable for the development and delivery of these projects and the rollout of subsequent learning.

#### **Response: Accept**

The Woodland Finance Working Group recommended pilot approaches to securing private finance in woodland creation. The Integrated Natural Resources Scheme (INRS) which is being developed will support increased collaborative and partnership working between farmers, land managers, foresters and eNGOs to deliver actions and interventions at landscape scale. We intend to use this scheme as a funding mechanism for woodland creation pilots, ensuring that afforestation objectives align across Welsh Government initiatives and avoiding the need for a separate scheme.

INRS is currently being prepared for launch and we expect to receive the first applications in late Spring. When we have details on which pilots have been

successful with applications, we will evaluate whether we need to develop additional initiatives using lessons learnt from the scheme.

**Financial Implications** – None. Costs for the pilots will be met through the Integrated Natural Resources Scheme.

### **Recommendation 27.**

The Committee recommends that:

The Minister should explain the reason for the delay in the publication of the new Woodland for Wales Action Plan (due by the end of 2021) and the Timber Industrial Strategy (due by the end of 2022), and in the consultation on a long term strategy for the National Forest (due in January 2022). The Minister should also provide an update on timeframes for the publication of each of these.

### **Response: Accept**

The Trees and Timber Deep Dive published 39 recommendations in 2021 towards achieving the Welsh Government's forestry objectives. The Welsh Government is focussed on delivering these recommendations rather than publishing a further set of actions. A Deep Dive Delivery Panel has been established to oversee the delivery of the recommendations. Work on the Timber Industrial Strategy is underway with the aim of developing it by the end of 2023.

Rather than a published consultation on the National Forest, we took the decision to carry out targeted stakeholder engagement on our overall approach, alongside establishing two expert task and finish groups. The Task and Finish groups considered how to give woodlands National Forest status and the most suitable long-term delivery model for the National Forest. Recommendations were provided to Ministers at the end of 2022.

**Financial Implications** – None.

## **Environmental Governance**

### **Recommendation 28.**

The Committee recommends that:

The Minister should report back to the Committee on:

- the findings of the initial work to assess the costs associated with establishing and maintaining a permanent environmental governance body for Wales, and
- the outcome of her discussions with the IEPAW on future resource requirements for the service.

### **Response: Accept**

An initial estimate of the running costs for the permanent environmental governance body, based on the budget for similar bodies, was £2m per annum. A full scoping of the costs associated with setting up and maintaining the body will take place as the functions of the Commission are identified.

I can confirm that Welsh Government officials met with the IEPAW recently to discuss resourcing needs. These discussions will be used to inform our review and to identify whether additional support is required to ensure the IEPAW can carry out its functions effectively. A copy of the review, including details of any decisions taken as a result of it, will be issued to the Committee shortly.

### **Recommendation 29.**

The Minister should report back to the Committee on:

The Minister should clarify whether the IEPAW has submitted any reports following investigations into complaints made about the functioning of environmental law. If no reports have been submitted, the Minister should set out her understanding of the reason for the ongoing delay, in particular, whether it is due to lack of capacity and resource, or some other reason.

### **Response: Accept**

I can confirm that the first report of the IEPAW was submitted to me on 16 February. This report was in relation to the UK Government's proposed Retained EU Law (Revocation and Reform) Bill. The report, and my response to it, will be laid in the Senedd by 30 March 2023.

## **Natural Resources Wales**

### **Recommendation 30.**

The Minister should report back to the Committee on:

The Welsh Government should provide details on how and when NRW's funding gap will be addressed. This should include an update on progress in resolving the historic problem with pension liability.

### **Response: Accept**

Welsh Government has worked extensively over the past year with NRW on a review of baseline funding as well as on the development of service level agreements (SLAs) to build consensus on delivery requirements for key ministerial priorities and PfG commitments. I have accepted the detailed evidence in relation to the funding gap reported through that process. I will write to the Committee by 17 March 2023 to set out our plan to correct that position.

### **Recommendation 31.**

The Minister should report back to the Committee on:

The Welsh Government should publish, alongside the findings of the marine-end-to-end licensing review, an explanation of how the outcomes of the review will be taken forward.

### **Response: Accept**

A high-level summary report detailing the independent findings from the review of marine licensing will be published shortly along with a Statement setting out how the recommendations will be taken forward by my officials and NRW.

## **Waste**

### **Recommendation 32.**

The Minister should report back to the Committee on:

The Minister should report back to the Committee with details of any assessment made of the infrastructure investment required to support the delivery of the DRS. She should also clarify whether and how this is reflected in the budget allocation for 2023-24.

### **Response: Accept**

Deposit Return Schemes are a form of Extended Producer Responsibility which applies the polluter pays principle. The scheme sees businesses become responsible for the costs of managing the waste associated with the products they produce, which means that the operational and implementation costs, including infrastructure, fall to the sector. A Regulatory Impact Assessment setting out the costs and benefits of the scheme will be published alongside the regulations when they are brought to the Senedd later this year.



## **Flooding and Water**

### **Recommendation 33.**

The Minister should report back to the Committee on:

The Minister should explain whether and how the independent Flood and Coastal Erosion Committee's resources review and NRW's report on long-term investment requirements for maintaining flood assets have influenced the budget allocation for 2023-24.

### **Response: Accept**

Despite record levels of funding over this Government term, keeping pace with the impacts of climate change remains challenging. I welcome the work carried out by the Flood and Coastal Erosion Committee and Natural Resources Wales highlighting the long term work required to ensure that we can develop the skills we need across the flood sector – both public and private, to safeguard the future interests of Wales.

Wider budgetary pressures this Government is facing means that we have to make the best use of the funding available. Revenue funding to support the delivery of local authority flood risk activities increased by over 110% between 2021 and 2022. Pending Senedd budget approval, which we are intending to sustain this level of financial support in 2023-24 and, looking further ahead, increase it from 2024-25. We are working with our delivery partners, supported by expert input from the independent Flood and Coastal Erosion Committee, to develop and agree how we can best prioritise allocate this additional funding support to achieve optimal impact to reduce flood risk and impacts, tackle strategic challenges, such as long-term sector capability, while securing maximum value for money for the taxpayer. We are taking full account of the findings of the resources review from the Flood and Coastal Erosion Committee and work carried out by NRW. Both reports will help direct and support our decisions on future planning and funding. Officials will continue to work closely with the Flood and Coastal Erosion Committee, Risk Management Authorities and WLGA to ensure that we make best use of the funding available, supporting current delivery and continue to tackle the skills shortage that will support the future management and maintenance of our flood assets.

### **Recommendation 34.**

The Minister should report back to the Committee on:

- the level of funding that will be made available to NRW to deliver its programme of work designed to decrease the number of watercourses failing to meet good ecological status,
- any assessment made of the costs associated with delivering the cross-sector action plan on river quality, and
- how these have been reflected in the budget allocations for 2023-24

**Response: Accept**

There are three River Basin Management Plans which cover Wales. The Western Wales plan which is wholly in Wales, and the Severn and Dee plans which are both cross border plans.

The RBMPs confirm the action required to bring all water bodies into good ecological status. There are 933 surface and ground waterbodies in Wales with 40% of these achieving either good or better status (ecological and chemical status combined). This represents an improvement of 3% since 2015, and an 8% improvement since 2009.

For a large number of Wales' water bodies, it is either technically infeasible or disproportionately costly to achieve good status and these are therefore discounted from achieving good status.

Much of the work needed is undertaken by NRW in its role as Wales' principal environmental regulator and funded from their grant in aid. The Welsh Government has committed to provide over £40 million of additional funding between 2022-23 and 2024-25 to address water quality problems across Wales, including funding for nutrient management boards established to address SAC river catchment challenges. Wales' water companies, Hafren Dyfrdwy and Dŵr Cymru also have significant environmental investment plans which contribute to helping water bodies in Wales achieve good ecological status also.