

Senedd Cymru
Pwyllgor yr Economi, Masnach a Materion Gwledig
Economi Gwyrdd
GE15
Ymateb gan: Sefydliad Materion Cymreig

Welsh Parliament
Economy, Trade, and Rural Affairs Committee
Green Economy
GE15
Evidence from: Institute of Welsh Affairs (IWA)





Economy, Trade and Rural Affairs Committee, Green Economy Consultation Response

About the IWA

We are a think tank and charity, independent of government and political parties. By bringing together experts from all backgrounds, we conceive ambitious and informed ideas which secure political commitments to improve our democracy, public services and economy.

We provide platforms for debate, opportunities for people to make their voices heard and agenda-setting research. We are funded by our members, income from our events and training sessions, and supported by trusts, foundations and other funding bodies. We are a proud signatory to the Zero Racism Wales pledge, a Living Wage employer and hold NCVO Trusted Charity Mark Level One.

Our vision is to create a Wales where everyone can thrive.

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1. Within its devolved powers, what should be the Welsh Government's key priorities to maximise the potential economic opportunities from green economy sectors? To what extent does its current approach reflect these?

The IWA believes a key priority of the Welsh Government would be to explore and specify what exactly it means when referring to Wales' 'green economy'. Currently, definitions are very broad and the green economy can encompass a large range of sectors, industry and wider societal issues. While the green economy in its broadest sense does touch on a host of issues, it would be useful for the Senedd's Economy, Trade and Rural Affairs committee, to examine and specify what they define as 'the green economy', or key priority areas within it. The current lack of specificity is not helpful and limits the targeted guidance the third sector can provide and could limit private sector confidence to support delivery within Wales' green economy given the lack of a specified focus or priority areas.

Furthermore, the Welsh Government, within its devolved powers, must prioritise retaining greater income and economic benefits from commercial renewable energy developments that operate in Wales as we decarbonise energy. We must move at pace to ensure we meet Welsh Government targets, such as achieving 100% energy generation from renewable energy sources by 2035¹ alongside our legal requirement to reach net zero carbon emissions by 2050.² Now is a moment of opportunity to reassess the current economic impact of

¹ [Welsh Government \(2023\). 'Wales aims to meet 100% of its electricity needs from renewable sources by 2035'](#).

² [UK Climate Change Committee. 'A legal duty to act'](#).

commercial renewable energy projects within Welsh communities and explore ways to ensure Wales retains a fairer share of the income generated through these energy developments. As investment in renewable energy infrastructure projects must increase in coming years in order to meet decarbonisation targets, it is crucial to consider how as a nation, Wales works with the private sector to retain such investment and redistribute income to grow our economy.

The shift to renewable energy sources presents a significant opportunity to sustainably grow Wales' economy, however, currently Wales does not retain enough of the economic benefits from commercial renewable projects. The former industrial revolution in Wales was largely extractive of Wales' resources and wealth and delivered little-to-no long term positive economic impacts to former coalfield communities. We must avoid repeating past mistakes within the current energy transition to renewable sources and ensure we retain economic benefit for future generations. Renewable energy projects offer construction, manufacturing, operational and maintenance jobs, but long term employment opportunities generated locally remained low.³ Therefore we must ensure we explore greater community and shared ownership of commercial renewables developments to retain greater income and play a meaningful part in owning local renewable energy projects. Stronger policy guidance on this matter is within the devolved competency of the Welsh Government and should be utilised to ensure better collaborative working with the commercial renewables sector operating in Wales. The IWA will soon release research which examines this issue and suggests possible policy options to retain greater income from the commercial renewables sector within our communities.

While the Welsh Government has acknowledged the need to retain greater income from commercial renewable energy developments, policies are limited in their ability to achieve this. The IWA is supportive of the Welsh Government's announcement to establish Ynni Cymru, a publicly-owned energy company to further community-owned projects across Wales, and Trydan Gwyrdd Cymru, a publicly-owned renewable energy developer.⁴ However, we do not yet know the full extent of ownership the Welsh Government will have on such projects or the role they will play in facilitating private/public joint ventures within these organisations. Trydan Gwyrdd Cymru will operate on the Welsh Government Woodland Estate that covers 6% of land in Wales and will, therefore, not be responsible for all renewable energy projects across Wales.⁵ It is not clear therefore how far these organisations will ensure Wales retains greater income from the commercial sector. A large amount of commercial development will continue across Wales and there must be initiatives to secure greater income from these developments.

Furthermore, the Welsh Government has set a target for 1 gigawatt (GW) of renewable electricity capacity in Wales to be locally owned by 2030. However, the definition of 'local ownership' is limiting and does not ensure that local owners are indeed local to Wales with any requirement to be living within a set radius of the energy projects they part own. It is open to exploitation as developers who are simply headquartered in Wales can be considered 'local owners'. Furthermore, the economic barriers that prevent those from more

³ [M. Munday et al \(2011\), 'Wind farms in rural areas: how far do community benefits from wind farms represent a local economic development opportunity?' *Journal of Rural Studies*, 27, 1–12.](#)

⁴ [Welsh Government \(2023\), 'Ynni Cymru will unlock Wales' green energy potential'.](#)

⁵ [Welsh Government. The purpose and role of the Welsh Government Woodland Estate.](#)

economically disadvantaged communities to become local owners remain and therefore local owners overwhelmingly tend to be those with greater financial resources to invest and benefit from ownership.

The Welsh Government's shared ownership policy is not clear enough for developers nor community energy partners and is not being offered by all leading renewable energy developers, limiting local and community ownership of commercial projects. Wales lacks stronger and clearer policy guidance that compels developers to offer a set level of shared ownership. Finally, unlike Scotland, the Welsh Government does not have policy guidance for developers relating to the provision and administration of community benefit funds (CBFs) from renewable projects to communities in Wales. This is a clear missed opportunity to facilitate greater investment into our communities from the private sector and ensure funds are used to foster greater economic development in communities.

The net zero transition is likely to result in an intensive period of economic activity in coming years as Wales must accelerate development of renewable energy projects to achieve set targets. There is potential for investment to then settle into a more steady state. Wales should look to retain a level of the income created during this period for the longer term, in a way which benefits future generations. We believe a Wales Wealth Fund is an idea whose time has come, offering a potential to redistribute some of the profits of the renewable energy industry across Wales. A Wales Wealth Fund would operate like Sovereign Wealth Funds (SWFs), a state-owned investment fund comprising money generated by the profits of a state-owned renewables developer (Trydan Gwyrdd Cymru) or a share of the profits from private renewables developments. Such a wealth fund would provide a significant benefit for Wales' economy and its communities and would help redistribute profits more fairly.

Furthermore, on green skills Wales is seriously lagging behind. Welsh workers must be supported to transition into low carbon jobs and we must observe clear policy and funding that supports younger generations to take up the economic opportunities of employment within the green economy, across industry and energy generation. If we go see greater investment and collaboration between the Welsh Government and private industry alongside a clearer roadmap of investment in net zero skills we will fail to fully grasp the economic opportunities of high quality, well paid jobs within the green economy.

A clear ambition and wider conversation is required to reassess how the transition to our green energy future can meaningfully impact the Welsh economy and local communities that host renewable developments. Trydan Gwyrdd Cymru and Ynni Cymru are a step in the right direction but will likely only take us so far. The Welsh Government must look to the commercial renewable energy sector that operates within Wales and set the terms of exchange. The Welsh government must harness Wales' renewable and natural resource wealth in longer term and more strategic ways. For the commercial sector to gain access to Wales' natural resources, the Welsh Government must consider the level of income and economic benefits Wales can retain from such developments and secure for future generations.

Within the Welsh Government's devolved capacity, we need to see clearer and bolder policies that compel developers to offer greater community and local ownership, and ensure collaborative working with the commercial renewable energy sector to retain a fairer share of

the incomes generated within Welsh communities. The current policies of shared and local ownership are limited and could go further. It is essential we see targeted investment and joint working with the private sector within net zero skills and retraining to ensure we maximise the potential economic opportunities from green economy sectors. Lastly, we highlight the need for greater clarity around what exactly the Welsh Government means when referring to the ‘green economy’ and a focus on priority areas and sectors could be useful to target investment and delivery.

2. What are the key barriers to Wales making the most of opportunities in the green economy, and what steps should be taken to overcome these?

As established by the IWA’s *Fiscal Firepower* paper, Welsh Government has a limited budget to undertake major infrastructure projects such as the deployment of renewables generation projects. As such, the Welsh Government must work collaboratively with the private sector to achieve its net zero targets. It is important to ensure that the private investment coming into Wales from renewables developers results in tangible positive change for communities. Here a key barrier would be a lack of ambitious policies and a wider national conversation on how Wales can retain a fairer share of incomes generated by commercial developers. The Welsh Government must be bold and look beyond voluntary contributions from developers (CBFs) and policy guidance (shared and local ownership) and look to establish stronger policies that ask more of the commercial sector operating in Wales. Policies that compel developers to offer shared, local and community ownership. The Welsh Government must be bold and show leadership here, working with the commercial sector while retaining a fairer share of ownership and income from renewable developments for the people of Wales. This can be achieved without detracting much needed investment into Wales while ensuring the transition to net zero is equitable.

It is vital that we support workers to transition into roles that require green skills and move away from carbon intensive industries. We welcome the Welsh Government’s recent plans for this area of work outlined in the Stronger, Fairer, Greener Wales: a plan for Employability & Skills. The provision of green jobs within green energy offers a potential economic benefit to communities across Wales. However, we must see committed action. We do not believe that retraining and green skills development is currently happening at the scale or pace required to enable Wales to meet its net zero ambitions. As a result, there is real risk that Wales will not feel the economic benefit offered by the net zero transition.

Currently there is a significant lack of training opportunities for workers in Wales. We must ensure Wales has a trained workforce for the renewable energy technologies that have already arrived in Wales. Across Solar, onshore and offshore wind and beyond, these technologies have been operating in Wales for over two decades and yet Wales lacks a trained workforce to take advantage of the employment opportunities coming into Wales. This a significant barrier to ensuring people in Wales can grasp the economic opportunities net zero will bring with green jobs. The investment in renewables projects will flow into Wales. Without a trained workforce in Wales ready to take employment opportunities it is likely that large scale European developers will utilise their own workforce from outside of Wales to develop their projects here.

Therefore there is a need for greater collaboration between the Welsh Government and the commercial energy sector to jointly deliver training opportunities for the future workforce in Wales. This should not be the sole responsibility of the Welsh Government and we must see greater commitment from the private sector to ensure they provide training opportunities and invest in their own workforce within Wales. At Renewable UK Cymru's *'Future Energy Wales 2023'* conference there was an admission from commercial developers that the industry has been behind on skills and retraining opportunities. Without delivering these opportunities for communities in Wales, people will fail to realise and benefit from the economic opportunities of the green economy.

There are examples of collaborative working already happening in Wales albeit on a very small scale. For example, the 'Destination Renewables' programme led by DP Energy and EDF Renewables at Pembrokeshire College is a clear example of training opportunities jointly delivered by the private sector and Welsh colleges for training of the future workforce into the renewables industry. Case studies like these can provide evidence of best practice where successful training courses are taking place. We must see matched investment between the Welsh government and commercial renewable developers to roll out similar training opportunities across Welsh colleges. It is crucial that while driving towards net zero we ensure Wales has a skilled workforce ready to take on low-carbon jobs and benefit from such opportunities.

A key barrier that limits Wales from making the most of the economic opportunities in the green economy is linked to our weak grid infrastructure. Weak grid infrastructure and planning delays have been noted by industry as significant constraints impacting deployment and construction of renewable energy in Wales.⁶ Weak grid infrastructure is a key inhibitor that prevents Wales from making the most of the opportunities within the green economy, particularly within decarbonising our energy sector. Furthermore, floating offshore wind developments in the Celtic Sea present a key benefit to the Welsh economy. However, for Wales to get ahead in this area we must take a coordinated approach between government, industry, academia and others to establish a global advantage over marine energy and floating offshore wind as niche Welsh services. Given recent events surrounding the delay to floating offshore wind ambitions, we must see improved coordination between the sector, Welsh Government and UK Government.⁷ This sector could play a significant role in achieving net zero ambitions in both Wales and the UK. At the moment it is less than clear how the offshore projects will deliver economic growth in Wales.

3. What actions should the Welsh Government take to support development of Wales-based supply chains in green economy sectors?

Given the recent announcement of the Welsh Government's state owned renewable energy developer, Trydan Gwyrdd Cymru the Welsh government should look to establish best practice of engagement with local supply chains and businesses when constructing projects

⁶ [UK Parliament \(2022\). 'Significant threat to economic growth in Wales unless grid constraints for renewables are resolved, warn MPs'](#).

⁷ [BBC \(2023\). First floating wind farm in Wales delayed over funding.](#)

on the Welsh government Estate. Leading by example on their own, or jointly-owned, renewable projects can set a gold standard and establish a directory of leading examples of local procurement.

4. What skills challenges exist in relation to transitioning to a green economy? What actions should be taken, and by whom, to ensure the skills are there to meet the growing demands of a green economy?

As outlined above, we believe Wales is seriously lagging behind in offering retraining and skills development opportunities for employment opportunities in renewable technologies of the present and future. Without an appropriately skilled workforce there is a possibility this could delay investment in renewable projects. Alternatively, developers will rely on workers from outside of Wales and the UK to develop projects. Therefore, the economic benefits of employment could be missed. Given the recent closure of Wales' largest opencast mine Ffos-y-Fran and the loss of thousands of jobs from TATA steelworks in Port Talbot there is a significant need to support workers' transition from carbon intensive industries into the green economy. There is a need for targeted re-training programmes to support these workers, however, it is evident that opportunities have been missed.

Far more investment is required and joint working with the private renewables sector to jointly deliver investment and training opportunities. At present there is a lack of training courses within Welsh Colleges. As outlined above, the success of the 'Destination Renewables' course shows an example of joint working and investment between key stakeholders. The Welsh Government must work in collaboration with the private sector to ensure commercial developers invest in preparing a Welsh workforce to work on their developments. Given the fiscal limitations that the Welsh Government faces, it cannot deliver the investment and retraining needed alone and must seek matched funding from the commercial sector. The Welsh Government must pursue active labour market policies to ensure re-training of workers and prevent already employed individuals (in carbon intensive sectors) from losing their jobs, as we have witnessed with Ffos-y-fran and TATA Steel.

Lastly, the Welsh Government must ensure that in their efforts to achieve a just transition for workers they do not replicate and reproduce barriers that limit the participation of women within emerging renewable technology sectors. Significant gender barriers exist within manufacturing, engineering and construction work associated with green jobs of the renewable sector. These are often typically male-dominated industries. The Welsh Government must acknowledge that without significant efforts to tackle these barriers, they will not deliver a just transition for all workers and will repeat gender barriers that limit women's participation in these sectors.

It is vital that the Welsh Government take a dedicated approach and adopt a gendered lens to retraining and skills development for present and future green jobs. Without policy initiatives and commitment to see a greater level of women within these industries, barriers that limit women's participation will remain. Throughout education and training the Welsh Government must meaningfully ensure stakeholders meaningfully engage and support women and girls into these careers and make efforts to remove barriers and ensure their fair inclusion. The Welsh Government should consult with a range of experts and stakeholders,

including the private sector, to identify key barriers that limit women's inclusion and ensure strong policy support and guidance is in place to help alleviate barriers.

5. What will workers and employers need for a just transition to a Net Zero economy to be achieved, and what actions should the Welsh Government take to deliver the elements of this that lie within its devolved powers?

Workers and employers need a clear direction of travel from the Welsh Government on how they will deliver training and skills development for a future-fit workforce. Questions remain if the Net Zero Skills Action Plan is comprehensive enough.⁸ With the recent events surrounding TATA Steel, it would appear the Welsh Government is lagging behind in offering retraining opportunities for workers transitioning from carbon intensive industries. Both the commercial renewables sector and Welsh Government appear to be seriously delayed in delivering opportunities for workers. Wales has many of the powers required to invest in their future workforce but lacks budgetary capacity to invest. Given the fiscal constraints of the Welsh Government it is evident that they must work collaboratively with not just the energy sector but across industry as a whole to jointly offer training programmes within Welsh colleges to ensure we decarbonise the Welsh economy. The transition to net zero will have uneven effects across technologies and communities in Wales. The Welsh Government should focus their attention on supporting workers from economically disadvantaged communities and those transitioning out of carbon intensive work.

6. How will the Welsh Government need to work in partnership with others to realise the potential of the green economy and deliver a just transition? To what extent is the partnership working that is needed being undertaken?

In order for Wales to grasp the economic benefits of the green economy, the Welsh Government must work in partnership with the private sector to attract investment and retain a fairer share of the incomes generated. Due to the lack of fiscal levers Wales needs to work increasingly with the private sector to deliver projects which decarbonise its economy across the board. As outlined, the Welsh Government should not shoulder the full responsibility for financing the training of our future workforce and wider efforts to transition the Welsh economy. There must be an expectation here for industry and the private sector to take significant strides to decarbonise their sectors, to invest in their future workforce and skills training which must be secured through partnership working.

Private companies looking to operate in Wales should also be asked to consider their wider corporate social responsibility and impact on our local communities that host renewable energy infrastructure. The Welsh Government should develop policy guidance and best practice for how the commercial renewables sector should operate in Wales, prioritising local employment and training opportunities to those communities that host renewables developments. There are examples where this is being conducted by large scale developers in Wales. While projects only offer a limited number of maintenance jobs for the lifetime of a

⁸ [Welsh Government \(2023\). Stronger. Fairer. Greener Wales: Net Zero Skills Action Plan.](#)

project, developers who train local residents and share wider community benefits with the host community should be encouraged.

When deciding if renewable energy projects get consented in Wales, the wider economic benefits to communities of developments is not considered a material condition within planning. Therefore, while there are clear examples of some developers displaying best practice in delivering greater CBFs or training opportunities to local residents, there is no 'reward' or recognition for this. Developers currently do this voluntarily. There is a recommendation as part of the Local and Shared Ownership Policy that developers should submit a Collaborative Benefits Report (CBR) to help improve transparency throughout the development process and demonstrates that effort has been made to ensure the project supports wider social and economic benefits to the surrounding communities.⁹ However, there are many cases where this guidance is ignored and developers do not submit a CBR. Without incentive, or consideration of a development's wider economic impact, the Welsh Government is not encouraging more of this best practice working. Outside of planning reform, the Welsh Government should set more clear guidance and expectations for developers and how they operate within Wales.

7. The Welsh Government says it will face considerable budgetary constraints in the short term. How should it prioritise investment to support development of the green economy over the shorter and longer-term? What innovative approaches to financing could be considered to maximise potential investment and benefits?

The immediate financial and budgetary pressures that face the Welsh Government mean it is paramount that the Government secure public private partnerships with the commercial renewable sector. The Welsh Government cannot achieve net zero without constructive partnership working with the private sector. While financial constraints remain, the Welsh government can no longer delay investment in re-training and skills development of skills required for the green economy. Delaying investment in our future workforce in the short-term will only negatively impact the Welsh economy in the medium to long term. The Welsh government must urgently work with the commercial renewable sector operating in Wales to help enable this transition and ensure match funding of private sector investment into training programmes.

Furthermore, in the short-to medium term, the Welsh Government should explore utilising its devolved levers to retain greater income from the commercial renewable sector to reinvest in opportunities for retraining and ensuring a skilled workforce for the green economy. As the Welsh Government has devolved responsibility on setting business rates, an example could include an increase in business rates on medium to large scale onshore wind farm developments in Wales. These reserves could be reinvested in national retraining schemes. In this way, the Welsh government must consider where money is within the system and how to retain a fairer share of incomes generated by the commercial sector operating in Wales to facilitate retraining and a just transition.

⁹ [Welsh Government \(2022\), 'Guidance for developers, local communities & decision-makers Local and shared ownership of energy projects in Wales'](#).