

Environment and Sustainability Committee

E&S(4)-10-11 paper 3

Inquiry into energy policy and planning in Wales – Evidence from Nuon Renewables

Written Evidence from Nuon Renewables (A company owned by Vattenfall) for the Environment and Sustainability Committee. November 28th 2011

TAN 8 as a policy has been in place for 6 years. It is an opportunity to truly foster Wales' vision for a sustainable Wales into a reality. Nuon is concerned that little progress has been made to ensuring that Wales maximises the benefits it can realise from this policy.

The opportunities that large scale 25 year inward investment projects can deliver to Wales are significant. To date, Nuon alone has invested over £35m in Wales.

Over the next 25 years, just from Nuon's Pen y Cymoedd Wind Energy Project alone, we expect the value of the investment to Wales' economy to be in the region of £1bn.

Nuon firmly believes that more work needs to be done to ensure that this level of investment is being effectively harnessed to generate sustainable value and growth for Wales.

Are there clear delivery plans? TAN 8 is a regionally focussed policy – what should each region be prioritising? How can it gain most value and ensure that local priorities are delivered?

These are some of the questions we would like to see considered to ensure that Wales can maximise the benefits from wind energy developments prepare for other renewable energy technologies which will become commercially available the next 5, 10, 15 years.

We see many avenues where wind energy projects can deliver real and very significant benefit, which we will explain in more detail.

Effective Engagement

We strongly assert that effective engagement has to be at the core of delivering sustainable developments.

As an example of what can be done at a project level we have chosen Nuon's Pen y Cymoedd Project located in Strategic Search Area F in South Wales. The vision for the Pen y Cymoedd project was borne from the feedback from our public engagement process. More than 1500 individuals and organisations took part in the process and helped us find real clarity in terms of what we should be prioritising within the project

We had a very clear steer on what we needed to do to make sure that the project benefitted the host communities/region, which allowed us to create a clear vision

for the project to keep us on track towards our end goal – ensuring that Pen y Cymoedd is a sustainable development.

The importance of influencing the final design of the project (or layout) was, of course, a major priority for the engagement process, but this is not discussed here.

We will focus on the benefits that local residents, businesses and organisations wanted/expected to see (some graphs from the door-to-door survey are provided in Annex 1 to give you an idea of the priorities of a representative cross-section of local residents, but the priorities below represent a combination of the priorities from this survey but also the drop-ins and workshops).

- Generate employment opportunities
- Carbon emission reductions, reducing bills
- Green spaces for the community and environment projects
- Education, training and young people
- Tourism
- Long term and ongoing benefit in economic terms

These are all things that we realistically feel can be delivered through the project, and progress has been made on a number of fronts, notably:

- A 1500 hectare Habitat Management Area
- Work to research the best methods to deliver the outcomes above through the £1.8million annual community fund
- A workstream to develop the local employment opportunities through the project
- Research on a virtual visitor centre complex, to seek to utilise existing tourism facilities and projects and build on these (rather than reinventing the wheel)
- Work with local schools and looking to develop relationships with universities in the region.

Work Programmes – Generating Employment Opportunities through the Project

The starting point for generating employment opportunities for Nuon has to be through the project itself, as this is a matter over which we have the greatest control.

We have invested a lot of time and effort into ensuring we have delivery plans in place. Working with the local authority in particular, a session was held in March 2011 for local businesses. More than 140 company representatives from the region attended.

The critical questions or matters that local companies raised were:

- What skills, training and accreditation did they need to work on a wind energy project?
- What opportunities were available?
- Making sure that they received enough notice and time to prepare to compete with more established and bigger companies
- Enabling links with larger contractors for local companies with sub-contracting potential

We have used the feedback from the event to inform our work programme on this element, and have responded by:

- Developed a training support package with the local authority to enable local supply chain companies to gain the necessary accreditation and training to work in the sector
- Made changes to our proposed procurement programme to ensure that “meet the buyer” opportunities are provided to local supply chain companies with the larger contractors prior to the tender submission.
- Provided a briefing pack for business outlining in detail the contract opportunities and value, our contracting strategy, the key criteria and/or necessary skills and the process and timescale to which we are working.
- Implemented a business bulletin to keep local suppliers up to date on the progress of the project.

Work Programme – Community Benefit

The sums of money coming to TAN8 areas are vast. On Pen y Cymoedd alone, there will be an annual sum of £6000 per MW (index linked). Currently it is worth £1.8million annually. We have a community who want very sustainable things – employment, green spaces, initiatives to reduce bills, facilities within the community, funding for local environment/wildlife projects. How do we deliver?

The “traditional” models of community benefit have focussed on small scale community grants. The sums of money coming from the TAN8 policy mean this model is unlikely to be fit for purpose, from a practical point of view and from a value for money point of view. So what are the options?

Our intention with Pen y Cymoedd is to commission detailed research based on the community feedback report to examine the best options or scenario for the fund to deliver what the community wants to see and deliver the best long term outcomes from the fund. Then this will be taken back to the community to take things forward and start to explore the options for the fund in more depth. Some of the scenarios possibilities that might be explored:

- A fund with the sole focus of generating employment – there are number of ways this could be delivered to also provide more traditional community benefit projects (some examples can be found in the CES Report Investing for Community Benefit

- A community bank (or a fund that includes an element of a community bank) – where low interest loans are available to support local businesses, community groups, with the money eventually paid back, creating a fund in perpetuity and supporting capacity building in the community and ensuring sustainable and well thought through projects are supported, and moving away from the fund becoming the sole revenue source for local projects and so forth)
- A two tiered fund – local community funding for small scale grants, which are decided within each community at one level; then another level where the communities around the project come together to make decisions on strategic opportunities for the fund to invest in the region and derive benefit.

These examples are merely illustrations of the many ways in which the fund could be developed – the final decisions will be made through engaging with the communities, but these examples illustrate the potential of these funds to create and support local economic growth and the development of sustainable, resilient communities over the next 25 years. Mention also needs to be made here of the importance of match funding opportunities, of which there are many avenues to explore to deliver on the priorities of the local community.

In summary, what we are keen to highlight is the urgent need to consider how Wales makes the most of its opportunity. There has been six years of debate over renewable energy, but precious little actual work on how Wales is going to ensure it benefits from this strategically important industry.

Wales has a vision to be a sustainable nation. Just from Pen y Cymoedd, we are talking about £1bn worth of investment to harness towards this vision, guided by communities, organisations and government. Our evidence from engaging at the local level is that communities in Wales want very sustainable things.

There needs to be greater coherence and delivery plans to ensure that opportunities are maximised. There needs to be clear leadership. The industry is now in the process of establishing a cross-sector working group to work through the benefits and a framework of how they might be delivered across Wales. We hope that government will play a strong role in this. It is unusual for private companies to be leading an agenda such as this in this manner, we would normally expect to respond to a clear steer from government as they are well placed to convene stakeholders and make the right links across their portfolio to maximise the opportunities – in delivering against wellbeing, the environment, economy, and developing local communities (infrastructure, cohesion and so forth). The progress that individual developers have made to date gives a valuable platform to progress, as we have illustrated, but engagement from other stakeholders will be essential.

TAN 8 is a massive economic opportunity, with a rare opportunity to derive benefits for local industry, companies, regions, and communities. It is an opportunity to take a holistic approach to delivering economic growth within the region. 6 years on, we are unfortunately no closer. There is a severe lack of evidence, research and vision to develop effective delivery plans. Wales has attracted the investors – it needs plans now to maximise the benefits from this multi-billion pound inward investment across regions in South, Mid and North Wales.

ANNEX 1 – Extract of a residents survey commissioned for Nuon around Pen y Cymoedd

1.1 Methodology

The fundamental aim of this survey was to ascertain the views of a representative cross-section of residents across the area identified for resident consultation. It was critical therefore, that the methodology selected for this work was the most effective for delivering such a representative and robust cross-section of residents. The most effective way of delivering a controlled sample of this nature amongst residents is by face to face interviews, controlled by location and by composition, and this was the approach taken.

1.1.1 Selection of respondent households and respondents

In order to select respondents, respondent households were first identified and selected. The map boundary shown on Figure 2 was matched to Census Output Areas to provide a clear definition of the geographical extent of survey coverage. Some output areas straddled the boundary of the area being considered, and these areas were either excluded from the sample (if the large majority of the output area, and the households within it, were outside the boundary) or more usually included, with the chosen sample including only households whose locations were within the area boundary.

Figure 1 Map showing the boundary of the survey area (black line), and the sample points used in the survey (black dots)

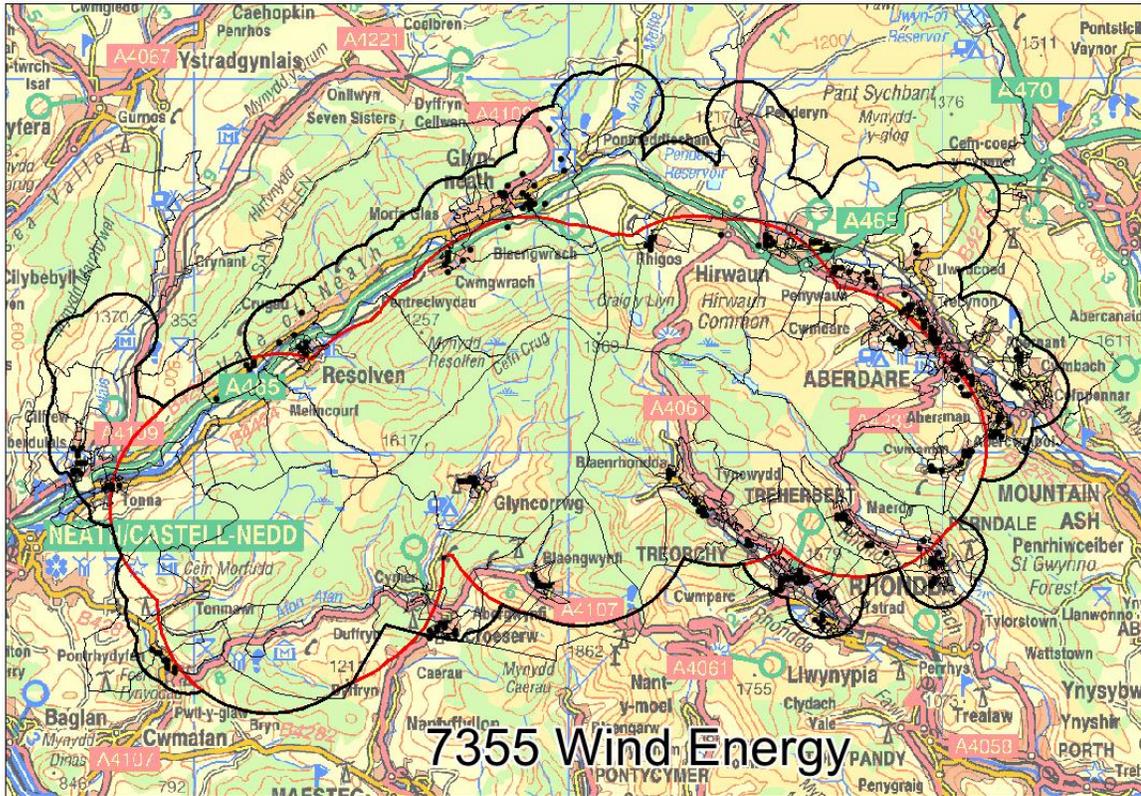
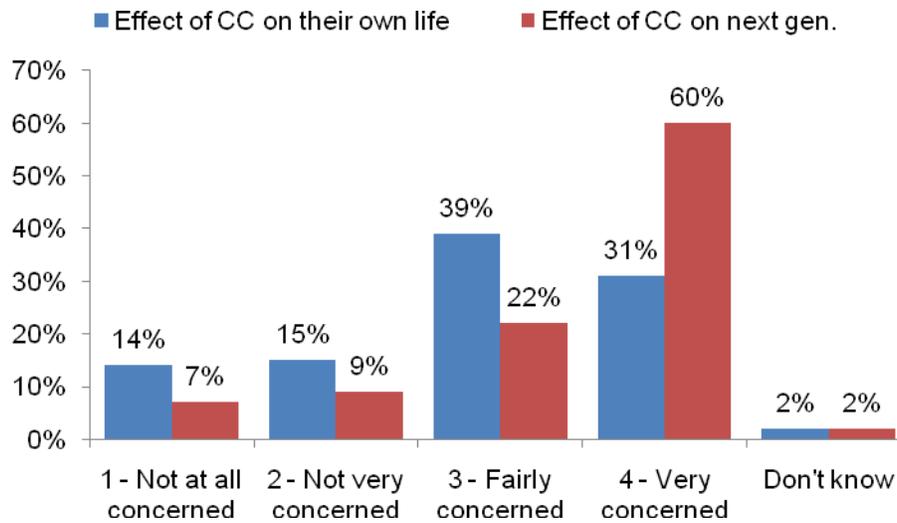
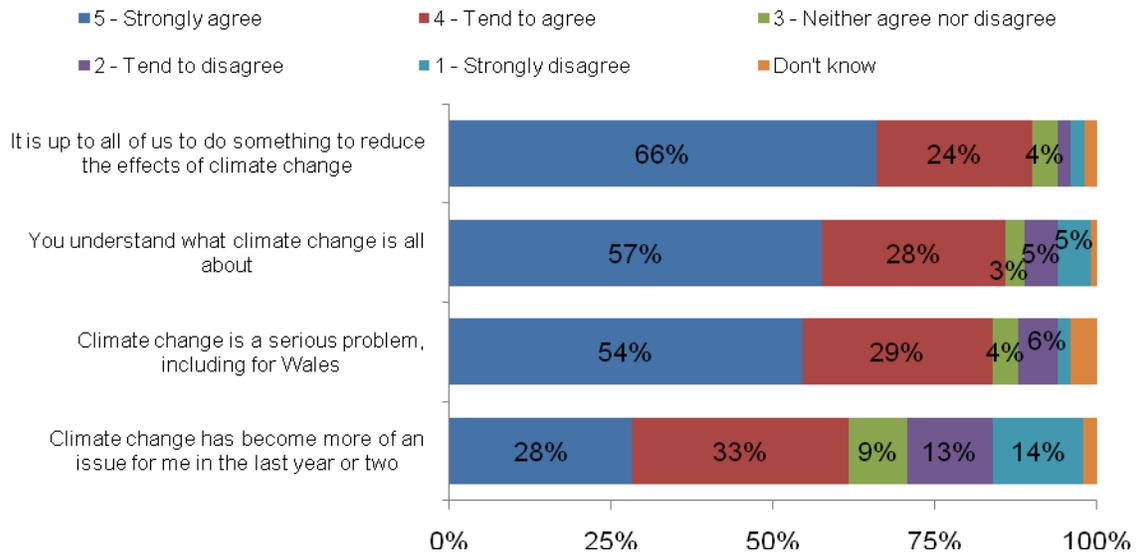


Figure 2 Level of concern relating to climate change



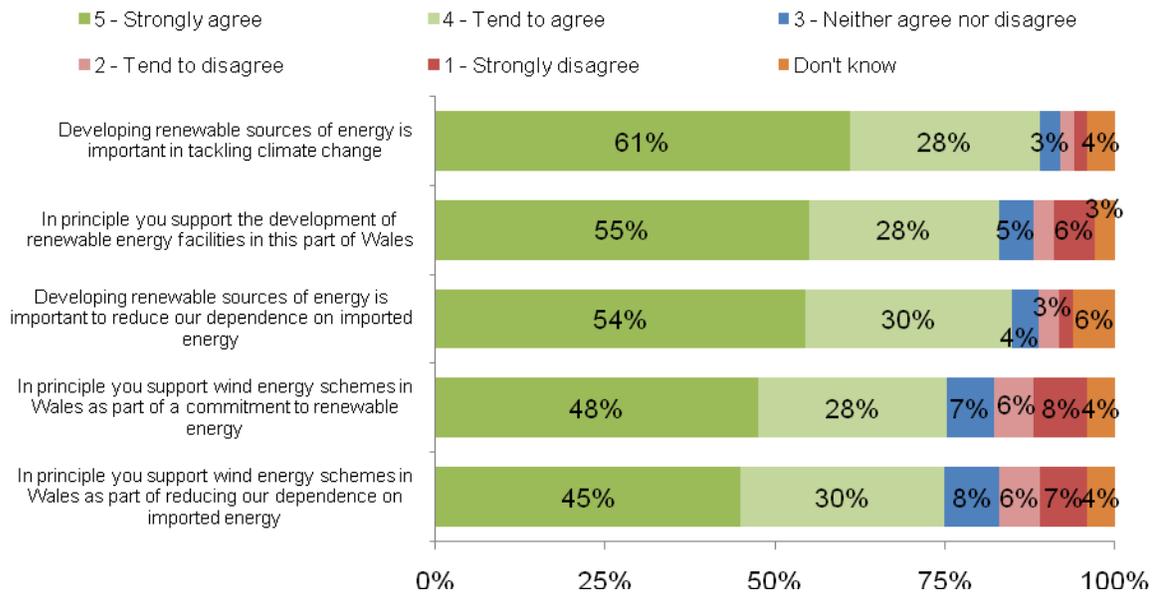
Base: All respondents

Figure 3 Understanding of climate change



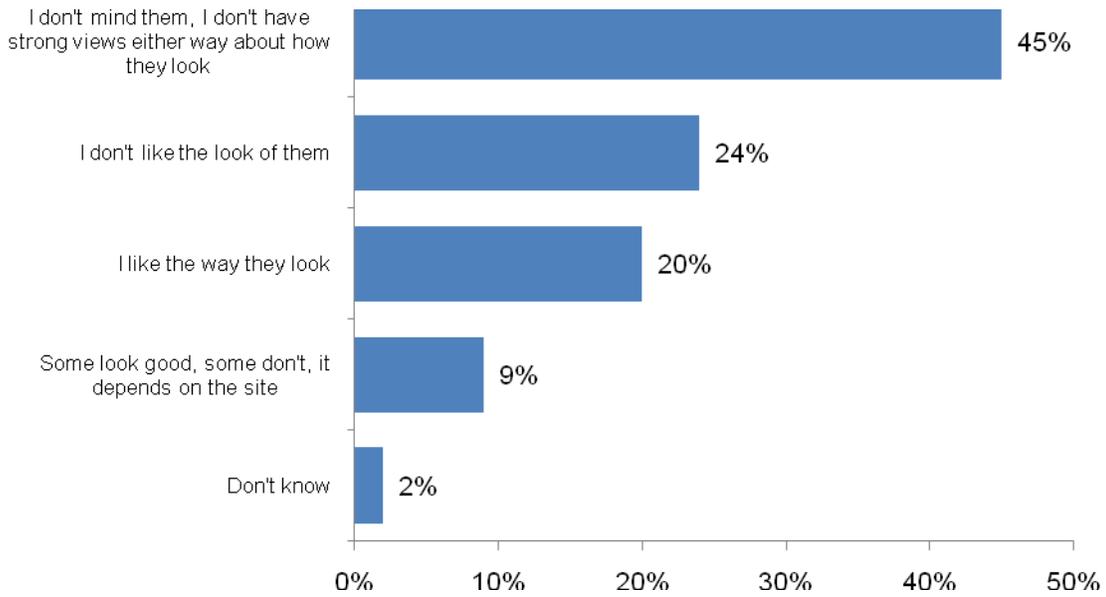
Base: All respondents

Figure 4 Views on renewable sources of energy



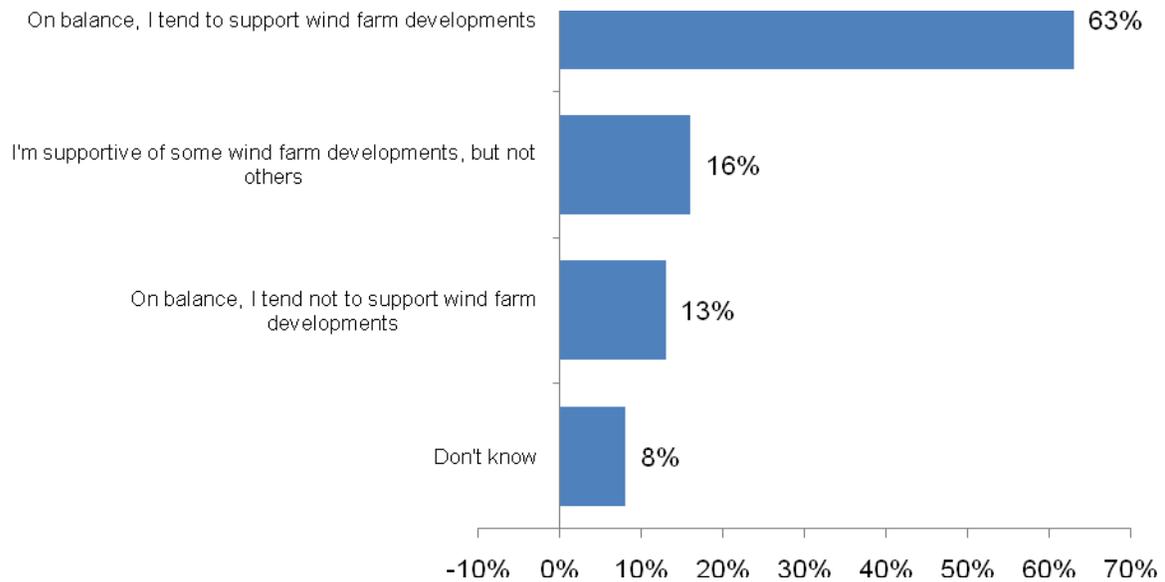
Base: All respondents

Figure 5 Opinions of power site aesthetics



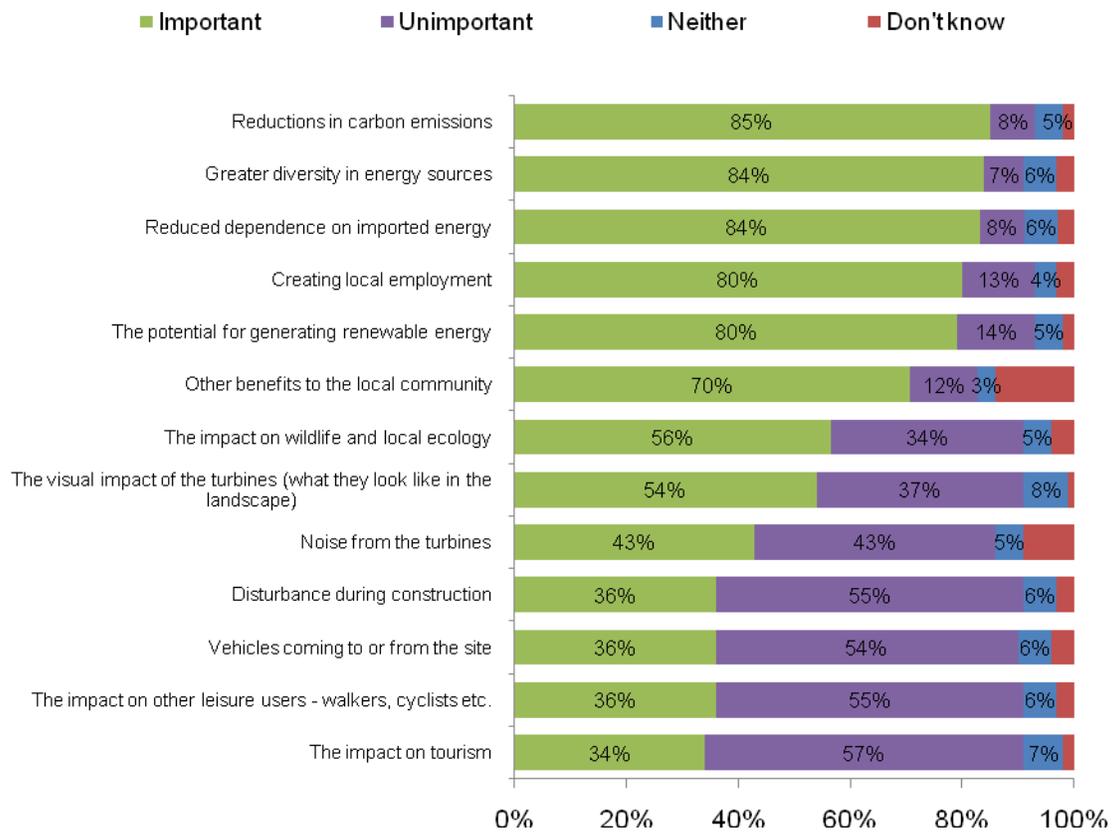
Base: All respondents

Figure 6 Opinions on wind farm developments as a whole



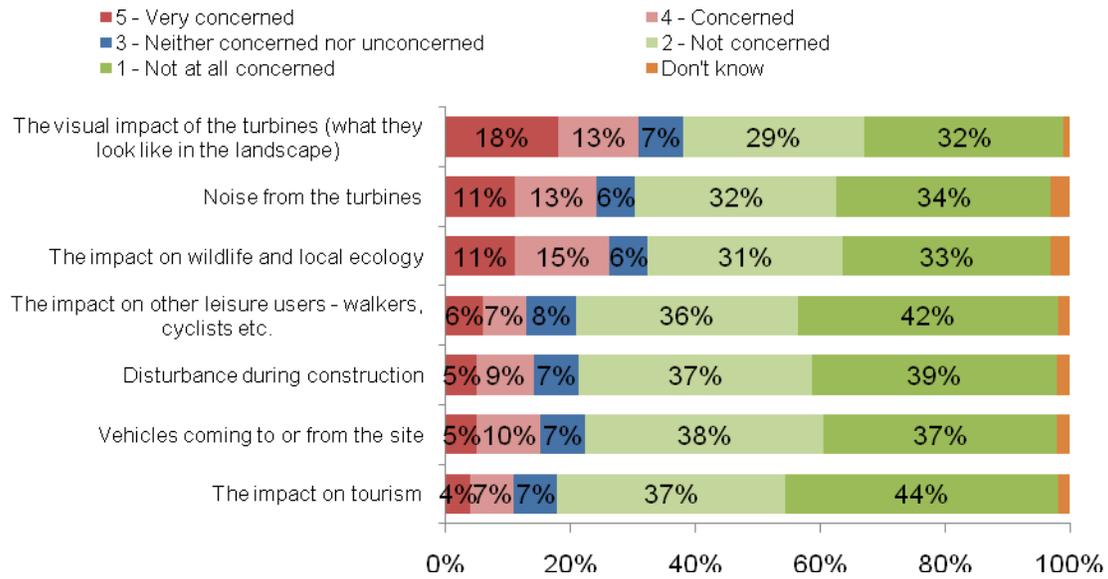
Base: All respondents

Figure 7 Important considerations



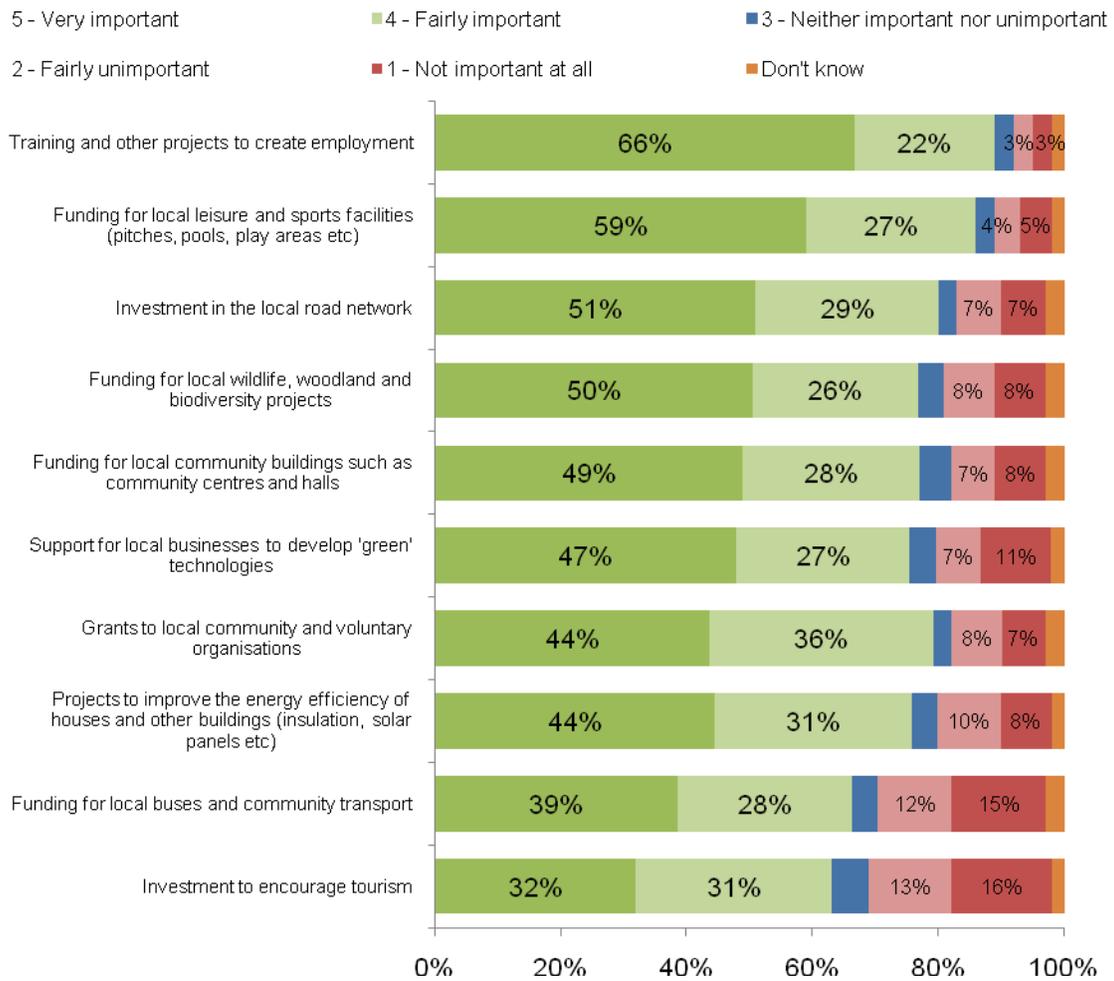
Base: All respondents

Figure 8 Overall public concern



Base: All respondents

Figure 9 Importance of potential funding beneficiaries



Base: All respondents