

Senedd Cymru
Pwyllgor yr Economi, Masnach a Materion Gwledig
Economi Gwyrdd
GE38
Ymateb gan: Uchelgais Gogledd Cymru

Welsh Parliament
Economy, Trade, and Rural Affairs Committee
Green Economy
GE38
Evidence from: Ambition North Wales



Green Economy - Consultation

The Economy, Trade and Rural Affairs Committee is holding an inquiry into the [Green economy](#)

Invitation for Ambition North Wales to give evidence: 22 May, 2024 (10:25 – 11:25)

Terms of reference

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?

Renewable energy - Within its devolved powers, the Welsh Government should prioritise the development of renewable energy sectors, such as green hydrogen, solar, wind, and marine energy, which leverage the natural resources available in Wales. It should continue to seek a balance between private sector investment and community ownership of energy, ensuring that benefits from public sector investments in renewable energy from Wales strengthen our economy and resilience.

Sustainable agriculture and horticulture - Additionally, focusing on sustainable agriculture and horticulture will harness significant economic benefits while strengthening the health of our workforce and land. We have plentiful natural resources that underpin a strong food system, but Government policy can seem siloed and overly focused on short-term economic benefits, at the expense of longer-term economic costs to public health (from obesity, polluted runoff, antibiotic resistance etc) and to the natural systems on which our economy relies (e.g. soil depletion, collapse of pollinator populations etc). We can also miss the benefits and advantages of our food system within our local communities. We welcome the opportunities that will come from changes to public sector procurement rules supporting consideration of sustainability alongside cost and quality, investment in community food partnerships and more specific recognition of horticulture within the sustainable farming scheme (smaller acreage, more accessible funding etc).

Business decarbonisation - The current approach in Net Zero Wales includes setting ambitious carbon reduction targets and funding for green projects, but this could be expanded further to leverage innovation in sustainable technologies through universities, private sector investment and public-private partnerships. More work is needed to test the robustness of proposed decarbonisation technologies and capital investments – ensuring tangible reductions in emissions are tested at each decision-gate. A united focus on supporting businesses to decarbonise – taking account of the regional natural assets that will support this transition for businesses.

Strengthening everyday sectors - The integration of long-term economic planning, programmes, and investment through mechanisms such as City and Growth Deals, Investment Zones and Freeports have real potential to align government policies with sustainable jobs and economic opportunities, however Governments and stakeholders must accept that the benefits and addressing these chronic economic issues and growth areas will take time. Also note the risks associated with this approach, set out in the next section on barriers.

Climate adaptation – we are now likely looking at global heating of 2.7 degrees or more, so on track for significant sea level rise, flooding as we've never seen before and heatwaves that will threaten our digital, transport and education infrastructure. Therefore alongside continued emphasis on decarbonisation and nature positive actions in support of a green economy, it will be critical to ensure all policies and investments now also drive towards adaptation. In addition to adapting infrastructure (e.g. tanking as standard in flood zones), businesses will need 'product pivot plans' for a range of scenarios (such as we saw in Covid with distilleries producing hand sanitiser) and to build emergency planning skills e.g. staff transport to work protocols during extreme weather events.

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?

The most significant barrier remains a lack of shared understanding among private and public sector leadership teams of the severity of the crises and urgency of change from “business as usual” to the long-term/prevention mindset expected from the Wellbeing Act Ways of Working. Lack of consensus on this invites and enables ‘greenwashing’ within policy and investment decisions, which undermines progress towards the prosperity and resilience envisaged by the Wellbeing Act.

Instead:

Future Trends Reports (or more succinct presentation of possible futures e.g. [Policing 2040](#)) could be more integrated into processes led by either Welsh Government or by local authorities, with business cases for public funding tested by Assurance teams against these scenarios.

Greater direction on which data sources should be used for local authority risk assessments to include sources such as the [Third UK Climate Change Risk Assessment for Wales 2023](#) (which shows 51 out of 61 risks require more action or further research, and 26 risks having increased in urgency since the last risk assessment) and the [Climate Change Commission ‘Progress in Wales’ adaptation report 2023](#) (which detailed a picture of ‘unintentional neglect’ of climate risk assessment in most local authority corporate and decarbonisation plans, public service boards, NRW Area Statements and Growth Deals).

Guidance and support is needed to help private and public sector leadership teams raise these issues appropriately within their teams and communities, providing clear practical guidance on what individuals, communities, council teams and businesses need to do.

Time and resources are needed to support this work – yet processes remain too rushed. Ambition North Wales participated in the OECD Wales 2037 visioning process (which might have been better informed by the Future Trends reports) but had only a couple of weeks notice to participate so key individuals / organisations were not able to attend due to calendar clashes. Similarly, the process developing the Regional Economic Frameworks could have been more robustly grounded in future scenario analyses.

While Regional/City Deals and Investment Zones can offer opportunities to further Green Economy ambitions as set out in the section above, we must also recognise that (1) construction and infrastructure projects generate up to 50% of UK carbon emissions (2) the [benefits of accelerating decarbonisation are consistently found to Outweigh the Costs \(imf.org\)](#). We therefore risk undermining Green Economy ambitions unless such investments are planned and delivered in a manner consistent with the Wellbeing Act.

Instead

Ambition North Wales experience indicates that [early screening](#) of projects for their full costs (including emissions and biodiversity impacts) and benefits (including jobs, investment etc) at an early stage (e.g. Strategic Outline Case) can save significant design, planning and engagement costs (including local authority resources) by only developing projects that genuinely likely to deliver environmental *and* economic benefits. Significant recent research shows that [continuing to divorce environmental realities from economic decisions is dramatically undermining regional economies](#), and this will get worse before it gets better.

Delivery of the [pioneering approach led by Ambition North Wales and Arup](#) has shown key moments to assess and influence emissions reduction in infrastructure project development processes, recognised as [one of three leadership case studies in the PAS 2080 national carbon infrastructure guidelines](#). The key moments include:

- Inclusion of emissions in economic analyses (benefit cost ratios) used to test project viability
- Design scope that requires net zero operational emissions, reduced embodied carbon and biodiversity net gain (avoiding later retrofit costs)
- Procurement documentation that incentivises low carbon, nature positive choice of materials and project delivery as core elements (boosting regional skills)
- Procurement documentation that includes social value opportunities related to decarbonisation / nature positive skills and impacts.

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

Construction sector actions:

- Policy Framework:** Welsh Government should be ambitious in policy setting to incentivise sustainable construction practices and ensure consistency across funded programmes (e.g. Sustainable Communities for Learning, Growth Deals, Freeports and Investment Zones). This could include setting targets for carbon reduction, energy efficiency, waste reduction and biodiversity conservation within the design and construction sectors. [Ambition North Wales set the following targets in March 2021 and is finding that Growth Deal partners and Welsh construction companies can deliver against them](#): net zero operational emissions, 40% reduction in embodied carbon (from the Green Building Council 2030 target) and a 10% Biodiversity Net Gain (from DEFRA business case) – see note in (2) above about the key moments to support delivery against the targets.
- Supply Chain Development:** While it is critical to incentivise sustainable construction products and services through procurement e.g. [NEC/X29](#), there are risks that local businesses may not have the skills and capacity to deliver to pioneering sustainability criteria. Significant support is needed to develop local supply chains for sustainable construction materials and products, including training and development incentives, and fostering partnerships between designers, suppliers, manufacturers, and construction firms. Ambition North Wales and its partners have held virtual and on-site engagement events to orient potential suppliers to the targets and measurement approach it has developed to support those suppliers in effective delivery.
- Invest in R&D and manufacturing of low-carbon materials:** Replacing steel frames with timber (which could stimulate demand for Welsh timber) is being explored by some Growth Deal projects as a result of applying our emissions methodology. However, it should be noted that use of new materials can mean additional testing costs or risk needing replacement if the new (lower-carbon) material fails in some way – there is a cost attached to the risk associated with new materials/processes.

Sustainable agriculture and horticulture actions:

- a) **Increasing production of Welsh fruit and vegetables into public sector procurement** (schools and hospitals) could provide the scale of demand that incentivises more horticulture production by Welsh farmers, either through direct diversification or through partnerships (CSAs) with local growers – as well as support healthier children by reducing consumption of ultra-processed food through free school meals. Producing some of the food that is currently imported into the UK could provide employment with Food Sense Wales data on [employment pathways into horticulture, indicating the potential for 3.2 jobs per acre \(around 1000 jobs across Wales\)](#) by increasing number of market gardens, and employment pathways for people struggling with mental health. Limitations to scale in this area are consistently access to land, limitations on government funding (subsidies do not apply as most market gardens are less than 5 acres), and [access to training / skilled employees](#).
 - b) **Investing in production facilities** - Projects such as the Glynllifon Rural Economy Hub can support diversification for farmers and the scaling of local producers into small and medium businesses. Consideration of abattoir capacity and other meat processing facilities is also needed to retain and build a skilled workforce in this sector, and retain value of lower-carbon (grass fed) livestock products within Wales.
 - c) **Also see skills section below**
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?**

Along with demographic change and advances in technology, the transition to green skills is a key trend to transform the economy and labour market. The need for green skills is not just about new green jobs, but also greening existing roles, increasing economic growth and productivity, and creating opportunities for people of all backgrounds. As we move towards net zero, the role of schools, both primary and secondary, further education, higher education, and apprenticeship providers in equipping young people with the green skills employers require is crucial.

The North Wales RSP is working with Welsh Government on delivering the actions articulated in the Net Zero Wales Skills Action plan. The 7 priority emissions sectors and priority areas of development have been articulated and all partners and stakeholders should work within this action plan to make changes required. Identifying key milestones is a critical element in helping to plan and understand the skills needs. These milestones should be set by Welsh Government.

North Wales has a slightly higher percentage of people working in sectors that are likely to be exposed to green transition than the Welsh average. Construction employs slightly higher percentage of people in the region at 13.4% compared to 11.5% in Wales. Agriculture is 4.4% in the region compared to 3.1% in Wales. These are some examples that suggests a higher proportion of workers in North Wales may be at risk of being impacted by the transition if we are not able to reskill the existing workforce.

Key Skills challenges:

- **Better understanding the emerging skills needs and addressing reskilling & future skills provision** - The direction of travel to meet the net zero skills commitments is further ahead in some emission sectors than others. In some sectors there is confusion amongst employees,

industry, businesses and stakeholders on the direction of travel and how these changes could impact on the skills of their workforce or an individual's career pathway. North Wales RSP consultation with employers in the region has identified skills gaps across all sectors and emphasised the importance of identifying and filling them, however, more details is needed on the qualifications needed. There is a need to understand reskilling needs to allow individuals to respond to opportunities in the labour market. There is also a need to develop the future workforce through curriculum development in schools, FE and HE. Skills requirements will continue to evolve as decarbonisation accelerates and there is a need to understand what these skills needs are and how we can fully utilise transferable skills to allow the skills system to respond and deliver effectively. Understanding this picture across all sectors in Wales is a currently a challenge. We are awaiting the response from the Net Zero Skills consultation undertaken by Welsh Government last year, but this will hopefully articulate the direction of travel and range of skills needs by sectors required to support the current and future workforce. Welsh Government will then need to create policy and legislation that embeds this in the skills system in Wales,

- **Skills system in Wales needs to be flexible** – The Skills System in Wales need to adapt to changing needs. There are various funding pots available to support skills provision in Wales which is encouraging but we need to ensure that all funding is joined up and that the system is flexible enough to meet evolving industry needs and new emerging occupations in a sustainable way. Micro-credentials and other training programmes tailored to net zero skills across sectors will be required and the system will also need to consider lifelong learning and continuous CPD to ensure that the workforce is keeping pace with the evolving skills landscape. The transition requires a workforce skilled in the principles of circular economy, digital literature and sustainability and these need to embed **across** the system, be that FE, HE, Apprenticeship / Work-based learning. There is a role here for Welsh Government but also for FE/ HE and training providers and broader stakeholders.
- **Clear Pathways and Careers Advice**– The changing skills system needs to be supported with clear pathways and investment in new skills and ensuring individuals have a seamless transition **from** schools to post compulsory education. This includes the need to accelerate existing careers and information pathways within schools around all green related careers. Having the right careers information, advice and guidance is crucial, ensuring that young people understand the opportunities available to them and skills required by specific sectors.

A partnership approach is needed to ensure this transition. Industry and sectors will need to agree the range of skills required to support the workforce and share knowledge and create joint solutions with Welsh Government and other partners. This is the aim of the Welsh Government's Net Zero Skills Action Plan for Wales which articulates a clear roadmap setting out current detailed skills position for each sector in Wales, what skills are needed in the short and longer term and how this will be achieved through continued partnership working.

Mainstreaming Carbon and biodiversity literacy

An urgent and critical gap is mainstreaming carbon and biodiversity literacy across all sectors. Low levels of understanding around how every procurement has some carbon and biodiversity impact means that investment decisions continue to be taken without full understanding of the implications for decarbonisation pathways, prioritising only short-term economic aims in mind. This significantly undermines green economy aims. Costs are also increased for public and private sectors as even basic

decisions require expensive consultants – especially as well-informed, carbon and biodiversity literate consultants are now over-subscribed. Decision-makers across all private and public sectors should be incentivised to have carbon and biodiversity literacy plans in place for their business - from basic literacy, through life cycle carbon assessments / biodiversity net gain (or net benefit), to strategic decision making. Even where this is being delivered (e.g. through the Welsh Local Government Association) training numbers are concerningly low.

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?

- a) **Skill development and training:** As set out above, new jobs in sustainable industries need to replace those that will be lost in traditional fossil fuel powered sectors. Workers will need opportunities for reskilling and upskilling to adapt to new industries and technologies. This needs careful mapping (e.g. [Preparing for a just transition in Yorkshire and the Humber | New Economics Foundation](#)) and will need continued public and private sector investment in training programmes focused in particular on renewable energy, sustainable agriculture and green construction.
- b) **Worker support and social safety nets:** There should be robust social safety nets in place to support workers who may be displaced during the transition. This could include unemployment benefits, job placement services, and financial assistance for retraining. An example could be the recent calls for a Universal Basic Income for farmers as they navigate the transition to lower-carbon agriculture e.g. [British farmers want basic income to cope with post-Brexit struggles](#)

For the Welsh Government, actions within its devolved powers to facilitate a just transition include:

- **Investment in Infrastructure:** The government can invest in renewable energy infrastructure, public transportation, and energy-efficient buildings to create jobs and reduce carbon emissions – ensuring the investments genuinely support pathways to a lower carbon, nature positive green economy.
- **Support for renewable energy:** As discussed above, the government should continue to provide incentives for communities and businesses to invest in renewable energy projects, such as wind and solar farms, and support research and development in clean energy technologies. Such investments should consider prioritising energy strategic and foundational economy sectors such as food businesses to support food affordability and build sector resilience. Communities – particularly small and rural communities – will need support to fund feasibility studies and set up local energy companies.
- **Green procurement policies:** The government can implement green procurement policies to prioritise the purchase of goods and services that have a low carbon footprint, supporting businesses that are committed to sustainability. As discussed above, this can be linked to supporting procurement of healthier less-processed food into schools and healthcare settings.
- **Health considerations:** As the cost of living and climate crises continue, they will likely continue to impact people’s mental and physical health, and further investment will be required to support workers wellbeing and pathways back into work. As is well-documented, Wales (and the UK) have become reliant on low-quality, cheap food which is driving health issues such as obesity. Yet – if not proactively managed - the increased costs of healthier, more sustainable

food produced locally could exacerbate the cost-of-living crisis for vulnerable households. Distribution of food parcels for those in work and not is heavily reliant on volunteers, and the combined impact of increased energy and food prices has meant a share decline in food surplus anyway. If [supermarkets are able to tax food surplus](#) going to vulnerable households, could tax be used to incentivise farmers to contribute more food into local supply chains to those vulnerable families? This could help reduce waste at source, reduce food miles and increase local employment through distribution/production hubs.

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?

The Regional Growth Deals are incentivising partnership working across regions. While this is still a relatively new way of working (3 years), we have seen value created already with examples, learnings and expertise shared across organisations – even where there might otherwise have been some competition. Partners have come together to co-deliver Growth Deal projects e.g. three private sector businesses and a charitable trust collaborating to deliver the Tourism Talent Network project.

Partners have also been supported to engage in collaborative bids for further funding e.g. Food Partnerships funding across all North Wales local authorities, and the Rural Wales Local Partnership for Innovation partnership (LPIP) led by Aberystwyth University looking at net zero transitions.

Informed by experience within the international development sector, the [Civil Society Partnership Review \(November 2016\)](#) found that the complexity and scale of global development challenges requires the unique competences of the private, public and third sectors be brought together and led a rapid increase in funding from DFID for innovative and collaborative working e.g. [UK Aid Connect - GOV.UK \(www.gov.uk\)](#) – example of consortia funding and [FAQs](#) useful in explaining how the consortia piece works. If structured and implemented well, consortia provide opportunities for smaller organisations/businesses to build experience and capacity.

A significant risk to avoid from the experience in international development is large actors controlling all the funding. It is critical to provide early and significant capacity support to smaller players.

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?

More robust gateway decisions on whether projects will genuinely deliver promised growth benefits (jobs, investment etc) alongside decarbonisation and equity considerations

Prioritising investment in the green economy within the constraints of both fiscal budgetary limits and carbon budget constraints will require strategic allocation of resources and a robust communication strategy informed by behaviour change expertise.

Focus on High-Impact Projects: Identify high-impact projects that can deliver significant environmental *and* economic benefits in the short term. This will include investments in renewable energy infrastructure, energy efficiency upgrades for critical public infrastructure, and sustainable transportation initiatives. Invest to build regional resilience in the medium to longer-term considering adaptation (flood defences, draining systems etc), carbon sequestration, habitat for biodiversity and food production.

Public-Private Partnerships: Collaborate with the private sector to leverage additional funding for green projects. Public-private partnerships can help share the financial burden and attract private investment in renewable energy, sustainable infrastructure, and other green initiatives. Also support community-based initiatives to build resilience to climate change impacts such as funding for community-led adaptation projects, climate education and awareness programmes, and capacity building for local organisations.

Incentives for Green Innovation: Provide financial incentives for businesses to innovate and develop green technologies. This could include grants, tax incentives, and research funding for companies working on renewable energy, clean transportation, and sustainable agriculture.

Green Bonds and Financing Mechanisms: Issue green bonds to raise capital for green projects. Green bonds are specifically earmarked for environmentally friendly initiatives and can attract socially responsible investors. Additionally, explore other innovative financing mechanisms such as green loans, crowdfunding, and impact investing.

Investment in Research and Development: Allocate resources to research and development in green technologies and practices. By investing in innovation, the Welsh Government can drive down costs and accelerate the transition to a green economy in the long term.

Skills Development and Training: Prioritise investment in skills development and training programmes to support the transition to a green economy. This could include funding for vocational training in renewable energy, energy efficiency, and other sustainable industries to ensure that the workforce has the skills needed for green jobs.