

SOUTH WEST WALES CORPORATE JOINT COMMITTEE

Report of the Chief Executive

Report Title: Freeport update and implications for the regional energy plan

Purpose of Report	To update the Committee on the Freeport submission and outline how a successful Freeport bid aligns with the vision and priorities in both the Regional Energy Strategy and the Regional Economic Delivery Plan.
Recommendation	It is recommended that the report be noted and the proposals be subject to future monitoring by the CJC Energy sub-committee.
Report Author(s)	Steven Jones, Director, Pembrokeshire County Council and Nicola Pearce, Director, Neath Port Talbot Borough Council.
Finance Officer	Chris Moore
Legal Officer	Craig Griffiths

Background:

1. This report sets out to examine the benefits that a successful Freeport application could deliver in terms of both the regional energy and regional economic plans previously approved by the South West Wales Corporate Joint Committee. The report follows the decision by the SWWCJC to support the principle of a Freeport submission at its meeting on the 11 October 2022.
2. More specifically, this report:
 - Summarises the themes, metrics and priorities in both the Regional Energy and the Regional Economic Strategy;
 - Provides an update on the Freeport application;
 - Provides a high level commentary on the predicted and potential benefits that a successful Freeport bid would have on the vision to develop a low carbon regional economy, and
 - Outlines proposals for future reporting to the CJC Energy Sub-Committee.

The South West Wales Regional Energy Strategy

3. The Corporate Joint Committee approved the South West Wales Regional Energy Strategy (RES) at its meeting on the 15 March 2022. The RES is supported by an energy and economic modelling analysis and the baseline assessment (as of 2017) identified that:
 - South West Wales consumes around 36% of all energy in Wales, more than its 22% share of the population, partly due to the concentration of very large industrial sites in the region;
 - The region's total energy demand is dominated by the commercial and industrial sector , which makes up 68% of the total demand (with domestic demand accounting for 17% and transport accounting for 15%);
 - Renewable assets located in South West Wales currently generate the equivalent of 44% of the region's energy consumption;
 - South West Wales hosts 27% of Wales' renewable energy capacity, and
 - 46% of renewable generation in South West Wales is from on-shore wind projects and 45% from solar photovoltaics.
4. The RES vision for South West Wales is as follows: 'Harnessing the region's low carbon energy potential across its on and off-shore locations, to deliver a prosperous and equitable net zero carbon economy which enhances the well-being of future generations and the region's eco-system at a pace which delivers against regional and national emission reduction targets by 2035 and 2050.'
5. The RES priorities for delivering this Vision are as follows:
 - Energy efficiency;
 - Electricity generation;
 - Smart and flexible systems;
 - Decarbonise heat;
 - Decarbonise transport, and
 - Regional coordination.

Regional Economic Delivery Plan / Regional Economic Strategy

6. At the same March 2022 meeting the CJC also approved the adoption of the Regional Economic Delivery Plan (REDP) as the regional strategy for economic well-being, one of the mandated functions required under the Local Government and Elections Act 2021. The REDP includes a pipeline of 45 projects brigaded under the ambition of generating an additional £3bn spend and c 20,000 jobs in support of closing the productivity and economic activity gap.

7. The underpinning analysis of the region's economy identifies a number of highlights including '...the region has a number of distinctive strengths and opportunities...linked with the regional energy potential (and) university-industrial links...there is a 'window of opportunity' in relation to green energy and net zero...'
8. The REDP is framed in terms of three 'missions'. Mission number 1 is focussed on 'establishing South West Wales as a leader in renewable energy and the development of a net zero economy: taking forward the region's major energy related projects and driving benefits through the region via industrial decarbonisation, supply chain opportunities and university-linked innovation'.

Celtic Freeport

9. On 1st September 2022 the UK and Welsh governments jointly launched the Freeport prospectus for Wales. At the CJC meeting on the 11 October Members agreed to support the principle of a collaborative bid prepared by Neath Port Talbot County Borough and Pembrokeshire County Council in partnership with Associated British Ports (ABP Port Talbot) and the Port of Milford Haven.
10. The Freeport prospectus lists three objectives:
 - Promote regeneration and high-quality job creation;
 - Establish the Freeport as a national hub for global trade and investment across the economy, and
 - Foster an innovative environment.
11. An application to create a dual-centred Freeport was submitted on the 24 November and it is understood that the Welsh and UK governments will make a decision in Spring 2023. The prospectus places a strong emphasis on decarbonisation and the Ministerial Foreword recognises that "ports have huge potential to accelerate future industries which support net-zero, from off-shore energy to advanced manufacturing".
12. The Freeport bid – branded as the 'Celtic Freeport' - includes 3 individual tax sites with a combined area no greater than 600 hectares. Each of the sites include contiguous development land across Port Talbot and Milford Haven/Pembroke Dock which will enable and incentivise new investment, innovation and job creation. Importantly, the bid is designed to achieve additionality and thereby mitigate the potential for displacement across the region. The bid will also ensure that the Welsh government's social partnership ('fair work') agenda is supported and reinforced. These were key issues raised by partners within the region when taking informal soundings about the proposed consortium bid.

Analysis and alignment

13. The main focus of the Freeport bid is to capitalise on the potential for floating off-shore wind (FLOW) developments in the Celtic sea. In July 2022, the Crown Estate announced a number of 'Ares of Search' for the development of floating wind in the Celtic sea and the first phase of technical and environmental surveys will begin in Spring 2023. According to their website, the Crown Estate "has set out ambitious plans to deliver an initial 4 GW of energy capacity in the Celtic Sea by 2035, with the region assessed to have the potential to accommodate up to 24 GW by 2045". (It is noteworthy that the first floating wind project in the Celtic sea – Erebus, a 96 MW development promoted by a Total and Simply Blue Energy joint venture – is already going through the consenting process. The 'window of opportunity' is already open.)
14. Whilst the focus of the Freeport is not just about FLOW, there are complimentary facilities at Port Talbot and the Port of Pembroke (Milford Haven) that could deliver a significant amount of assembly, operation and maintenance support for this 'new' sector. If the bid is successful, the tax sites could catalyse investment, creating a 'green corridor' with linked opportunities to develop hydrogen production and carbon capture; supporting a pathway to industrial decarbonisation across South West Wales and thousands of high quality 'green jobs' in line with the REDP mission.
15. The FLOW opportunity is also particularly relevant to the steel manufacturing sector. Tata Steel have recently produced a report outlining an industry need for 5m tonnes of steel for FLOW, together with a further 1-5m tonnes needed to build the infrastructure for hydrogen production and distribution and carbon capture and storage projects.
16. The industrial clusters in Port Talbot and Milford Haven are two of the biggest energy users and emitters in the UK. A 'Celtic Freeport' would help accelerate the delivery of the Regional Energy Plan vision to create a low/zero carbon economy supported by on and off-shore developments and particularly the priorities of (i) electricity generation, (ii) decarbonisation and (iii) regional coordination.
17. Furthermore, a successful Celtic Freeport bid would support the REDP 'mission' to develop South West Wales as a 'leader in renewable energy...via industrial decarbonisation, supply-chain opportunities and university-linked innovation'.

Next steps

18. The benefits of a successful 'Celtic Freeport' bid are expected to be local, regional and pan-regional. New investment and skilled jobs (supported by the SBCD regional 'skills and talent' project) need to benefit both the disadvantaged communities in the 'travel to work' areas of Port Talbot and Milford Haven/Pembroke Dock and the wider innovation and supply-chain across the region.

19. A 25 year Freeport programme provides a realistic timeframe to support the development of a regional energy eco-system that delivers against both national emission reduction targets and a regional economy with higher productivity and more skilled jobs. A successful 'Celtic Freeport' bid would provide a sustained intervention for future generations. However, it's important to acknowledge that there are other projects (in delivery and in the pipeline) across the region that will also contribute to the REP and the RES objectives. These include a number of Swansea Bay City Deal projects, the nascent Blue Eden tidal lagoon project, the Global Centre of Rail Excellence (UK's first net zero railway), and private sector developments such as the proposed South Wales hydrogen pipeline ('Hyline Cymru') being promoted by Wales and West Utilities and the Pembroke Net Zero Centre (RWE), together with university-led research support such as Swansea university's SPECIFIC innovation and knowledge centre.
20. This broader perspective underlines the importance of 'regional coordination' as a priority in the Regional Energy Plan. As such, a key role for the regional energy officer group will be to 'track' energy developments and provide updates to the CJC Energy sub-committee. Proposals are being developed – with additional resource provided by the Welsh Government Energy Service – to facilitate this.

Financial Impacts:

21. It is not considered that there will be any financial impacts for the CJC itself in the consideration of this report.

Integrated Impact Assessment:

22. The CJC is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
 - Deliver better outcomes for those people who experience socio-economic disadvantage
 - Consider opportunities for people to use the Welsh language
 - Treat the Welsh language no less favourably than English.
 - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

23. The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
24. The CJC has an integrated impact assessment tool in place. This report is presented as a 'for information only' item however and therefore it is not considered that it requires an impact assessment. Also, it is noted that the Draft Corporate Plan of the CJC is set to be consulted upon and in this regard whilst this is a for information item only – regard may be had to the Draft Corporate Plan notably Draft Well-being objective 1 which is as follows: *“To collaboratively deliver the Regional Economic Delivery Plan and Regional Energy Strategy thereby improving the (decarbonised) economic well-being of South West Wales for our future generations.”*

Workforce Impacts:

25. There are no impacts associated with the workforce of the CJC. If the bid is successful there will however be an impact upon Neath Port Talbot council who will take on the responsibility of accountable body. Additional staff resources across a range of roles will be required to undertake this role.

Legal Impacts:

26. This report seeks to inform the CJC about the creation of a consortium that is exploring the potential to submit a bid into the Freeport programme. There are no specific legal duties that arise in relation to this report.

Risk Management Impacts:

27. The activities described in this paper are consistent with the priorities already identified and approved by the CJC - the Regional Economic Delivery Plan and related Regional Energy Plan relate. A successful Freeport bid has the potential to accelerate work in the region to achieve these agreed priorities. Risks identified would be subject to suitable mitigations. Reference is also made to the emerging Corporate Plan of the CJC – notably well-being objective 1 – see paragraph 24 above.

Consultation:

28. There is no requirement for external consultation on this report.

Reasons for Proposed Decision:

29. To formally advise the CJC of the progress made in respect of the Freeport bid and to further embed an appreciation of the potential that the bid offers in terms of delivering upon the corporate ambitions of the CJC.

Implementation of Decision:

30. This decision is to be implemented immediately

Appendices:

31. None

List of Background Papers:

32. [Link to the Welsh Government Statement](#)
[Link to the Prospectus](#)
[Regional Economic Delivery Plan – CJC Report 15 March 2022](#)
[Regional Energy Plan – CJC Report 15 March 2022](#)
[Link to CJC meeting 15 March 2022](#)
[Link to CJC meeting 11 October 2022](#)