

SOUTH WEST WALES CORPORATE JOINT COMMITTEE

OVERVIEW AND SCRUTINY COMMITTEE

20TH APRIL 2023

REPORT OF THE CHIEF EXECUTIVE

Report Title: South West Wales Energy Strategy Update

Purpose of Report	Appraise Overview and Scrutiny Committee Members of developments across the regional energy agenda, in line with the CJC Corporate Plan (Action Plan) adopted March 2023.
Recommendation	It is recommended that Members note the current position regarding developments across the regional energy agenda.
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Introduction and context

1. Whilst not specifically referenced as a ‘mandatory function’ in the Local Government and Elections Act 2021, there has been widespread support for the energy agenda to be acknowledged as a complementary workstream (under the economic well-being objective/‘mandated function’) across the South West region.
2. Indeed, and as outlined in the report to the SWWCJC Overview and Scrutiny Committee on the 23 February 2023, a key mission of the Regional Economic Delivery Plan (endorsed by the SWWCJC on 15 March 2022) is:

‘To establish South West Wales as a UK leader in renewable energy and the development of a net zero economy: taking forward the region’s major energy related projects and driving the benefits through the region (via industrial decarbonisation, supply chain opportunities, university-linked innovation, etc). (Mission 1.)’
3. Aligning the **regional** economic and energy agendas has a strong logic as industrial South Wales is recognised as the second highest CO₂ emitting region in the UK. Indeed, the South Wales Industrial Cluster (SWIC) was established to focus specifically on decarbonising ‘heavy’ industry – from steel to refineries, LNG, power, chemical and nickel manufacturing.

The SWIC ambition is to create the World’s first net zero emissions industrial zone by 2040. The key metrics for this are:

- c.16m metric tonnes of CO₂/year
- 113,000 industrial and manufacturing jobs preserved/secured
- c. 5,000 new, skilled jobs in clean energy to be created
- c. £2-4bn per annum of inward investment.

The SWIC 'Plan for Clean Growth' was launched in February 2023 and focusses on the following core objectives:

- energy and resource efficiency
- fuel switching (electrification, hydrogen)
- clean growth hubs
- carbon capture and utilisation
- carbon capture and storage.

4. At **national** level the UK Government's 'Powering up Britain' energy security and net zero strategies, launched 27 March 2023, also highlights the economic and energy alignment issue. Of particular note is support for nuclear, floating off-shore wind, hydrogen and the emerging importance of carbon capture and storage (CCS), albeit critics argue that this may provide 'cover' for continued fossil fuel use, in particular new gas and oil fields in the North Sea.

In terms of floating off-shore wind (FLOW), the strategy launch included the re-announcement of the £160m port infrastructure funding scheme, with a particular emphasis on the "substantial pipeline of potential projects in the Celtic Sea"; see section on Celtic Freeport below.

With regards to hydrogen the UK Government's ambition for 10 GW of hydrogen production by 2030 was supported by a £240m net zero Hydrogen fund, with specific support for a Hydrogen Valley and (separate) H2 Energy projects in Pembrokeshire.

5. At Welsh Government level the 'Net Zero Strategic Plan' (September 2022) follows on from the climate emergency declaration in 2019.

The Net Zero Strategic Plan sets out 54 initiatives – from promoting communications and training, to retrofitting the Welsh Government's estate, electric vehicle charging network and procurement – that will be assessed and reviewed in 2025 and 2030.

As part of the Welsh Government's plan there is a collective 2030 Welsh Public Sector net zero target that all local authorities are participants in, and against which Audit Wales have recently undertaken a national report. Their 'Public sector readiness for Net Zero Carbon by 2030' report included five calls-for-action from public 'bodies'.

- Strengthen leadership and demonstrate collective responsibility through effective collaboration
- Clarify the specific direction and increase the pace of implementation
- Get to grips with the finances that are required
- Know the skill gaps and increase capacity, and
- Improve data quality and monitoring to support decision making.

6. In summary, and from the global to the local, the 'energy' agenda has emerged as a key – perhaps the key – dimension impacting on civilisation, countries, companies, communities and citizens. From the CJC perspective it is important to acknowledge that whilst the scale and dynamic nature of the energy agenda can sometimes feel overwhelming, there is a hierarchy of plans (at regional and local level), significant opportunities and additional support and resources that will, over-time, help the region to transition to a low carbon economy.

Regional and local plans

7. The South West Wales Regional Strategy (RES) was endorsed as the regional energy strand of the work programme at the meeting of the South West Wales Joint Committee on 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 (see para. 3.)
 - 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
 - 46% of renewable generation in South West Wales is from on-shore wind projects and 45% from solar photovoltaics.
8. 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 emissions reduction targets by 2035 and 2050.'
9. 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.

Local Area Energy Plans

10. In addition to the regional energy strategy, the Welsh Government have supported i.e. funded consultants, to develop local area energy plans (LAEPs) at the local authority footprint level.

11. LAEPs are supported by a comprehensive (seven stage – see Appendix A) process designed to identify the most effective pathway(s) to decarbonising the local energy system. LAEPs are led by local authorities and developed collaboratively with defined stakeholders.
12. Pembrokeshire was identified as a UK wide pilot authority for LAEPs and completed its plan in summer 2002. Consultants City Science are currently working with Carmarthenshire, Neath Port Talbot and Swansea to produce tailored plans that are also aligned and consistent with the regional energy strategy.
13. Both the regional and local area energy plans have been supported by the Welsh Government Energy Service (WGES). The intention is to complete the jigsaw of plans next year within a national energy plan.

Emerging opportunities

14. The synergy between the regional economic and energy agendas is now clearly demonstrated through a number of major projects such as the Celtic Freeport programme that was recently jointly announced by the UK and Welsh Governments.
15. The Celtic Freeport is a consortium that covers the ports of Milford Haven and Port Talbot and Neath Port Talbot Borough Council and Pembrokeshire County Council. The Celtic Freeport bid is based around accelerating plans for off-shore wind in the Celtic Sea, alongside developing hydrogen and sustainable fuels, and carbon capture and storage.

The Celtic Freeport bid submission identified the potential to create 16,000 new jobs and £5.5bn of new inward investment. Roger Maggs, Chair of the Consortium, has commented “the Celtic Freeport Consortium provides access to a huge development footprint, a skilled workforce and a network of local, regional and global partners capable of enabling the rapid growth of the floating off-shore wind sector and a flourishing hydrogen economy in Wales”.

The Celtic Freeport will include 600 hectares of designated Tax Sites (across the two local authority port areas) that are designed to stimulate new investment, as opposed to displacement. The scale and the geographic/spatial footprint of the Celtic Freeport will create supply chain and job opportunities across the whole of the south west region.

16. At the regional level the Swansea Bay City Deal programme includes a number of projects that are also aligned with the regional energy agenda, most specifically the Pembroke Dock Marine project, the Homes as Power Stations project and the Supporting Innovation and Low Carbon Growth project.

A recent ‘Portfolio Carbon Reduction Assessment’ report (February 2023) provided by the SBCD Portfolio Office, identified a range of contributions:

- Estimated 80,000 sq m of BREEAM excellent floor space
- 5,000 jobs across renewable and energy sectors

- Estimated 6,000 skills and talent opportunities for the energy and decarbonisation sectors
 - A regional centre of excellence in the renewable energy sector
 - Growing the supply chains in the installation, marketing and operations of blue and green technologies.
17. Other major projects that will have a regional (and national) impact include the Global Centre of Rail Excellence (UK's first net zero railway), the Blue Eden tidal lagoon project, the proposed South West Wales hydrogen pipeline ('HyLine Cymru') and the (RWE) Pembroke Net Zero Centre.
 18. Underpinning this programme of pan-regional energy projects is a series of smaller scale local and regional projects – from ULEV roll-out (in the transport sector) to local authority and broader public sector net zero (2030) programmes (public buildings, street lighting, fleet mileage etc) through to collaborative Public Service Board and community schemes that support the decarbonisation, climate change and nature emergency agenda.
 19. At local authority footprint level there is evidence of 'emerging opportunities' across the region; from the proposed c.100 hectare Eirlys Solar Farm west of Mynydd Morgan in Port Talbot, through to a new circular economy hub and centre of excellence at Nant y Caws, Carmarthen, and a hydrogen production scheme at Milford Haven, building on the recent UK Government funded 'Energy Kingdom' project.

Managing the regional agenda

20. As outlined in the South West Wales Corporate Joint Committee Corporate Plan (approved March 2023) the Joint Committee has already adopted the Regional Energy Strategy and agreed to create a separate Energy Sub-Committee.
21. The lead Chief Executive Officer responsibility for the Energy Sub-Committee rests with Neath Port Talbot, whereas the political lead is Pembrokeshire County Council.
22. To support the Energy Sub-Committee the region has a well-established structure for coordinating energy activities and interventions. A regional Energy Core Group (local authorities, Welsh Government Energy Service and SBCD Portfolio office) meets regularly and is supported and informed by a wider stakeholder advisory group of representatives from across the energy spectrum. Critically, the local authority representation involves senior officers from both economic and energy disciplines, with support also being provided by the EARTH (regional institutional capacity building) team. A copy of the Regional Energy Core Group Terms of Reference is attached at Appendix B.
23. The Energy Core Group work programme is delivered through four 'Task' groups – Domestic energy; Renewable energy generation; Transport and active travel and Commerce and Industry – and a dynamic action planning

process that maps activities and interventions across the region. A copy of the Action Plan – which is under development – is attached at Appendix C.

24. Additional capacity has recently been confirmed following a Welsh Government award of £350k to recruit staff to help accelerate both local and regional energy plans and coordinated delivery. Furthermore, a recent application to the UK Innovate Launchpad programme will, if successful, provide a grant pot (c£6m) to assist small businesses in the region who are involved in the renewable energy space. Further support for local and regional energy businesses and projects should also be available from the Shared Prosperity Fund.
25. Another, and more recent, funding application has been submitted to the Innovate UK ‘Net Zero Living – Fast Followers’ programme. If successful the project would fund a Net Zero Innovation and Delivery Officer to assist the regional SBCD Homes as Power Stations project.
26. In a crowded policy landscape one of the key challenges is to effectively engage with ‘influencers’ and agencies who can both promote the regional energy agenda and contribute to its delivery. To support this socialisation process the regional Energy Core group is producing a ‘Regional Energy Strategy Communication Plan’, see draft at Appendix D.

Whilst the Communication Plan is still under development it is anticipated that the increased resource capacity (para. 24 refers) will provide support for the increased awareness and adoption needed for the strategy to become embedded in the region’s agenda.

27. In terms of SWWCJC Corporate Plan, the approved action plan for the regional energy strategy (Objective 1) is set out below:

Appendix 2 – Well-being objective 1 - action/steps, timescale and impact measures (Regional Energy Strategy).

2 Regional Energy Strategy (Well being Objective 1)

To deliver the RES, we will take the following steps 2023-2028:

Priority	Actions	Impact Measures
Map available resources and identify resource gaps.	<ul style="list-style-type: none"> • Undertake an evaluation exercise to determine that the correct level of resource and expertise is embedded within each Council for the effective delivery of activity and programmes within each specific thematic theme of the strategy: <ol style="list-style-type: none"> 1. Domestic energy 2. Renewable energy generation 3. Transport and active travel 	<p>Establish regional delivery team.</p> <p>Alignment to existing programmes.</p>

	4. Commercial and industrial	
	<ul style="list-style-type: none"> • Complete Local Area Energy Plans 	
Formulate implementation programmes alongside our partners, including private industry.	<ul style="list-style-type: none"> • Develop prioritised action plans for the four programme themes • Enable and facilitate programme and project implementation • Align projects (and benefits) with Regional Economic Delivery Plan low carbon objectives • Ensure Well-being objective informs Regional Transport Plan. 	Local Authority Energy Plans aligned with Regional Energy Strategy benefits realised.

28. As outlined at the Corporate Joint Committee meeting on the 30 March 2023 delivery of the Corporate Plan is conditioned by the Committee's decision to both approve the 'Option 2 – Continuity' budget for 2023/24, and to prioritise the statutory requirement to progress both the development of a Regional Transport Plan and a Regional Land Use Strategic Development Plan.

29. Accordingly, the actions and impacts outlined on the table above reflect the limited resource capacity currently available within the four local authorities; note also para. 24. above.

30. That said, the primary role of the local authorities in the region is one of enabling and facilitating the regional energy strategy, rather than direct delivery.

Whilst local authorities have specific delivery requirements to meet the Welsh Government's public sector 2030 net zero target, as outlined in the attached regional Energy Action Plan (Appendix C), the delivery of the regional energy strategy will require the combined effort of a multiplicity of organisations and 'actors' including UK and Welsh Governments, Registered Social landlords, South Wales Industrial Cluster, Haven Energy Cluster, Port Authorities, further and higher education institutes, utility companies, National Grid, Ofgem, Transport for Wales, National Parks, etc.

31. Helpfully, the majority of the above organisations have been involved in the development of the Regional Energy Strategy and continue to be engaged via the regional advisory group; see Appendix B - Terms of Reference.

32. And in addition to the 'impact measures' outlined in the above table, the regional action plan includes a list of measures/indicators that, it is hoped, will also provide data on delivery over the next few years.

Conclusions

33. As set out in the introduction to this report, the energy agenda is undergoing a rapid period of transition and growth. From the global to the local there are commitments, targets, policy initiatives, funding streams, plans, proposals and projects.

Whilst mapping this activity is challenging there is Welsh Government support to produce a suite of local and regional energy plans that will align with a (forthcoming 2024) National Energy Plan. The presumption is that a “planned approach” will reduce nugatory activity and help address major obstacles such as grid capacity and skills. *(A recent study of the ‘skills gap’ in Milford Haven identified gaps in awareness and understanding, in main-streamed institutional support, and in associated social infrastructure such as housing.)*

34. Across the South West region there is a generational opportunity to support a coordinated approach to the renewable energy and industrial decarbonisation agendas. The ability to optimise this is predicated, in part, on developing an integrated approach to economic development, transport and land use planning.

The South West Wales Corporate Joint Committee has a key role to play in facilitating this.

Timescales

35. This report sets out an overview of the activity across the region, all of which offer the potential to align and contribute to the Corporate Objectives of the CJC as outlined within its Corporate Plan 2023-2028.

Financial Impacts

36. There are no new financial impacts related to this report. A budget of £20k has been allocated to the Energy Sub-committee. Whilst resourcing levels to support the energy agenda across the four local authorities are limited, the report sets out additional funding support from the WG to bolster staffing over the next two years.

Integrated Impact Assessment

37. 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.

38. It is not considered that an Integrated Impact Assessment (IIA) is required for this report as it does not seek a substantive policy decision from Members. The CJC approved its Corporate Plan 2023-2028 in March 2023 and this includes an equality objective. This is set out below for ease of reference:

‘To deliver a more equal South West Wales by 2035 by contributing towards:

(a) The achievement of the Welsh Government’s long-term equality aim of eliminating inequality caused by poverty;

(b) The achievement of the Equality statement set out in Llwybr Newydd which is to make our transport services and infrastructure accessible and inclusive by aiming to remove the physical, attitudinal, environmental, systemic, linguistic and economic barriers that prevent people from using sustainable transport; and

(c) The achievement of the Welsh Government’s long-term equality aims of cohesive communities that are resilient, fair and equal and where everyone is able to participate in political, public and everyday life. There will be no room for racism and / or discrimination of any kind.’

Well-being of Future Generations (Wales) Act 2015 (and CJC Corporate Plan and its identified well-being objectives)

Alignment with CJC Corporate Plan 2023-2028 and the identified CJC Well-being objectives:

39. 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’.
40. The CJC approved its Corporate Plan 2023-2028 in March 2023. Members will note that the formulation of the Corporate Plan has allowed for the identification of well-being objectives for the CJC. It is considered that this report aligns to the corporate policy framework of the CJC, most notably in terms of Well-being Objective 1 which is outlined below for Members ease of reference:

‘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

41. There are no new workforce impacts for Members to be concerned with in relation to this report.

Legal Impacts

42. There are no specific legal impacts for Members to be concerned with in relation to this report.

Risk Management Impacts

43. There are no specific risk management impacts for Members to be concerned with in relation to this report.

Consultation

44. There is no requirement for consultation in respect of this report.

Recommendation – For Noting

45. To ensure that the Committee is fully aware of the current position in respect of the regional energy agenda.

Appendices

46. Appendix A – LAEP Programme Overview
Appendix B – Draft ToFR – Regional Energy Core Group
Appendix C – Draft regional energy Action Plan
Appendix D – Draft regional Communications Plan

List of Background Papers

47. There are none.