



Economy, Energy & Planning

07/11/2024

This paper provides a written update on the economic drivers behind climate change policy, the environment, energy, and planning over the second half of 2024. The First Minister has set out the priorities for the Welsh Government going forward which includes a focus on green jobs and growth. To deliver on our priorities, energy and planning policies must align to help create jobs that not only tackle the climate crisis but make families better off and restore nature. Against an incredibly challenging backdrop of acute public financial pressures, we continue to achieve significant outcomes and investment into Wales. With a new UK Government in Westminster, we will continue to focus on strengthening the Welsh economy as we create a fairer, greener Wales for all.

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1. Strategic Development Plans

Strategic Development Plans provide an opportunity to plan on a wider than local basis, address cross boundary issues, achieve a better quality of life for residents, enable businesses to grow, and maximise investment.

The Strategic Development Plan (SDP) Regulations came into force 28 February 2022. All four Corporate Joint Committees (CJCs) have been able to exercise the strategic planning function from 30 June 2022. Local Authorities (LAs) have been working together to initiate CJCs and ensure speedy progress on SDPs can be made.

The previous Minister wrote to all four CJCs earlier last year (2023) setting out our expectations which include the submission of a Delivery Agreement, demonstration of some technical work, and the employment of an officer by this year.

An updated SDP Manual was published on the 9 September 2022 for informal consultation setting out more detail on the scope and content of a plan. A formal consultation is anticipated for the summer of 2025.

We encourage all parties to engage in the consultation, as this is an opportunity to shape and influence their future.

Ministers have met with all the CJC leaders on an ongoing basis to discuss Regional Transport Plans and SDPs. It is important to have ongoing discussions so all parties can understand their expectations, with Welsh Government officials assisting in the provision of technical advice for SDPs, as well as utilising Transport for Wales for RTPs.

We welcome the progress from South-East Wales in being the first region in Wales to consult on a draft Delivery Agreement. This is an important milestone as, when agreed by Welsh Ministers, it will mark the formal commencement of the SDP process.

2. Promoting the Welsh language through the planning system

The Welsh language is part of the social and cultural fabric of Wales and its future well-being will depend upon a wide range of factors, particularly education, demographic change, community activities, and a sound economic base to maintain thriving sustainable communities and places.

The Welsh Government's aims and ambitions for the Welsh language are set out in the Welsh Language Strategy – Cymraeg 20505. The strategy recognises the need to provide Welsh speakers with easily accessible opportunities to use their skills in social and work settings. The strategy also identifies the imperative need to create favourable circumstances to encourage the number of Welsh speakers. This involves securing goodwill towards the language and providing language infrastructure such as technology and legislation, but is also concerned with securing an economic and social future for Welsh speaking communities.

Through the Planning (Wales) Act 2015 the Welsh language became, for the first time, a consideration in planning legislation created in Wales. Our planning system is plan-led, in which decisions on planning applications must be taken in accordance with the adopted development plan, unless outweighed by other material considerations. The Planning (Wales) Act and Technical Advice Note 20 state the Welsh language should be ingrained into Local Development Plans through the Sustainability Appraisal, which should include a Welsh language impact assessment. It therefore becomes a consideration in planning decisions and appeals where relevant.

Planning Policy Wales (PPW) states that development plans and proposals should be prepared within the context of the key planning principles of the planning system. Planning authorities should ensure that social, economic, environmental, and cultural benefits are considered in the decision-making process and assessed in accordance with the five ways of working to ensure a balanced assessment is carried out to implement the Well-being of Future Generations Act and the Sustainable Development Principle. Key factors in the assessment process include cultural considerations where it should be considered how far a proposal supports the conditions that allow for the use of the Welsh language.

The future of the language across Wales will depend on a wide range of factors beyond the town and country planning system, particularly education, demographic change, community activities and a sound economic base to maintain thriving sustainable communities. The planning system can contribute to the future wellbeing of the Welsh language, by establishing the conditions to allow sustainable communities to thrive. For example, creating conditions for well-paid employment opportunities and a range of quality housing options are integral to planning for sustainable communities

3. Planning resource in Local Planning Authorities

Ensuring that Wales has enough planners and related professionals, with the right skills in the right areas is fundamental to the delivery of our policies.

We will be launching an important and wide-ranging consultation in November setting out our proposals for improving the capacity and resilience of planning services.

The consultation will include proposals to increase planning applications fees (including a pathway to full cost recovery). The proposed fee increase will significantly increase local planning authority resources and place them on a more sustainable financial footing resulting in more effective and faster planning decisions. New fee regulations will be in place by August 2025.

The consultation will also be seeking views on how best to increase the pipeline of planners and related professionals by ascertaining the demand and viability for bursary and apprenticeship schemes.

We are currently in the process of commissioning the Royal Town Planning Institute to undertake a piece of work on 'workforce planning'. It will provide a detailed picture of the resource and skills situation across the planning service. This will allow me to consider a more focused targeting of resources. The report will be published in May 2025.

Welsh Government is currently working with Net Zero Industry Wales to develop an approach where developers make a financial contribution to a fund held by NZIW that can be utilised by planning and consenting bodies in Wales to address immediate resource pressures.

This approach recognises the high volume of projects in Wales covering net zero and renewable energy infrastructure that is currently placing unprecedented demands on consenting bodies in Wales.

With resources held by NZIW this approach looks to address the current pressures within consenting bodies in Wales while maintaining the independence between those bodies and the developers.

4. Ports

Infrastructure

Welsh ports provide a vital 'land bridge' link for freight and goods between Ireland, GB and beyond. Ports such as Pembroke Dock, Fishguard and Holyhead are vital gateways for the UK's national economy. We will continue to work with all key stakeholders to sustain these key routes in what are likely to be challenging years ahead in recovering lost traffic and eventual growing trade.

What would give them greater certainty would be to return to conditions where barrier-free trade was as close as possible to the circumstances we enjoyed before Brexit. We will also continue to raise the strategic importance of these trade routes with the Irish Government through the British and Irish Council.

Our Welsh ports and harbours are a focal point for inward investment, acting as a catalyst for economic development, delivering local jobs and services and benefits to the wider economy of Wales.

Climate Change and Environment

Welsh Ports have the opportunity to be at the forefront of advances in more sustainable maritime technologies, supporting the transition to more efficient and lower-carbon logistics networks in Wales.

Our ports can support innovation in maritime propulsion systems and attract greener shipping to Wales. There is also possibility of using renewable energy, generated in and around Wales, to provide power to our ports and vessels using those ports.

This approach could enable our ports to grow their freight, passenger and cruise business in a manner that offers all of the positive benefits to local communities whilst protecting and preserving the local environment.

Shipping

Much of international and domestic shipping policy is reserved to the UK Government and decarbonising shipping requires a multilateral approach.

Climate Change and Environment

The UK Government will lead on international climate change negotiations on behalf of the devolved governments at the upcoming International Maritime Organization (IMO) to reduce greenhouse gas (GHG) emissions from international shipping.

Wales is part of expanding the scope of the UK emissions trading scheme which is aiming to consult on reducing the emissions of the domestic maritime sector in 2024.

The Welsh Government continues to support the UK Government's UK Shore project and encourages our ports to bid for funding through this programme such as the Clean Maritime Demonstration Competitions.

UK Shore helps provide support and incentives to drive investment into shore power and electric recharging infrastructure across UK ports to power a greener future shipping industry.

The Infrastructure (Wales) Act 2024 can support onshore power and electric charging infrastructure. This will establish a new process for consenting major infrastructure projects in Wales, including significant energy, waste, water and transport, projects. The Act will streamline and unify the decision-making process, helping to support port investment and the development of shore power for the shipping industry.

5. Cardiff Airport

We have acknowledged the policy tensions between owning an airport, the significant economic benefits the Airport can deliver for Wales, and our need to address the climate emergency.

Cardiff Airport is committed to reducing its carbon footprint and I am pleased to advise the Committee that the Airport has reduced carbon emissions from its ground operations by over 60% in the last four years, from 1,700 tonnes to under 600 tonnes of CO₂ annually, with an aim to reduce this by a further 50% over the next five years.

Aviation policy is a reserved matter for the UK Government (UKG). The nature of air travel in the UK means that passengers, as well as freight operators, have the option to use airports across the UK, which has implications for the potential effectiveness of Welsh policies. There needs to be an aviation decarbonisation strategy for the whole of the UK, with all four nations working together to address the issue. The WG is actively engaged with UKG and other Devolved Governments in relation to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and is a member of the UK Emissions Trading Scheme (UK ETS) Authority.

It is widely recognised that the greatest challenge in terms of making civil aviation sustainable is not related to any specific technical solution, but making positive change happen at the required pace. The progress to net zero relies on all parts of the supply chain working towards a common goal, including aircraft manufacturers, airlines, airports and their service providers.

The Competition & Markets Authority's (CMA) assessment of our proposed long-term investment in Cardiff Airport was published on 2 October. The Cabinet Secretary for Economy, Energy & Planning has issued a Written Statement in response. As per the Written Statement, we will now take the time needed to give full consideration to the CMA's assessment.

We remain open to refining our proposed programme of investment on the basis of that assessment and the Cabinet Secretary for Economy, Energy and Planning will update the Senedd in due course once we have decided on the best way forward. Until then, the Welsh Government will not be commenting further on the proposed subsidy package.

6. Trydan Gwyrdd Cymru

Trydan Gwyrdd Cymru has been established to accelerate the development of renewable energy projects, particularly onshore wind, on the wider Welsh public estate and maximise their value for the people of Wales. The organisation is wholly owned by Welsh Government and was launched in July 2024.

Trydan Gwyrdd Cymru's goals are to:

- develop a minimum of 250MW of new renewable energy generation capacity by 2030 and an additional 750MW of new capacity by 2040, subject to grid capacity being available.
- be an exemplar developer, working with the wider industry and communities.
- advise and work with the public sector, to realise locally owned renewable energy generation.

The Trydan Gwyrdd team, based in Merthyr Tydfil, are working alongside Natural Resources Wales to develop wind farms on the woodland estate. They will start engaging with communities near initial sites as soon as possible.

Public sector led renewable energy developments on the Welsh public estate could make an important contribution to Wales's existing renewable energy generation and local ownership targets:

- Wales to generate electricity equal to 100% of its consumption from renewable sources by 2035.
- 1.5 GW of renewable energy capacity in Wales to be locally owned by 2035.
- all new renewable energy projects to have at least an element of local ownership.

Having wind farms where all the value stays in Wales is important for Welsh people to have confidence that they will benefit from a clean power system.

7. Ynni Cymru

Ynni Cymru is a programme expanding community-owned renewable energy generation across Wales. It will complement the great work already being undertaken by the Welsh Government Energy Service and Community Energy Wales, especially around scaling up and increasing the impact of renewable energy assets across Wales. The team has an office base at M-SParc, Ynys Mon,

Ynni Cymru is positioning Wales at the forefront of developing and delivering Smart Local Energy Systems (SLES). A SLES joins up different energy generation, storage, demand and infrastructure assets in a local area, making them operate more intelligently and deliver local benefits. There are multiple benefits from delivering Smart Local Energy projects. Evidence suggests the main benefits include retaining value locally, reducing greenhouse gas emissions, improving energy resilience and security and enhancing network stability.

The Ynni Cymru team has been working up plans for how to support the development of SLES, using information gained from talking to projects and understanding their investment needs. Ynni Cymru has already committed £900,000 of resource grants to help community organisations to employ the necessary staff to accelerate project delivery. Alongside this it has been conducting a renewable energy asset stock take to understand existing assets and how Ynni Cymru can help to optimise, smarten, and grow them.

On 3 September, Ynni Cymru launched a £10 million grant scheme for SLES across Wales. It closed on 18 October and over 100 applications are currently being processed. Successful applicants will be informed later this year.

8. Recommendations from the renewable energy deep dive

The Renewable Energy Deep Dive Steering Group of stakeholders was formed in 2020 and resulted in 21 recommendations ranging from investment in skills to calls for the devolution of the Crown Estate. The third, and final, update on progress on the recommendations was issued in March 2024. This report underlined some of the more significant activity against the recommendations between April 2023 and March 2024, and some of the key milestones which will help us complete those recommendations. The report demonstrated our efforts to transition our energy system from a reliance on fossil fuels to a strong, long-term, and sustainable renewables sector that retains the wealth for our communities in Wales.

Following on from the deep dive, work has continued on local area energy planning, to feed into a National Energy Plan, and our Future Grids work. These are aimed at mapping the infrastructure that we require to realise our energy needs and commitments.

We are committed to working with industry to develop a renewable energy sector deal. The aim of a sector deal is focused on removing barriers and working closely with industry on maximising the value of benefits retained in Wales.

A sector deal is also about ensuring we all understand the part we play in the delivery of renewable energy targets for the benefit of communities across Wales, within our legal requirements under the Wellbeing of Future Generations Act and Environment Act. This will mean removing barriers to retaining benefit and value in Wales, securing a just transition for communities, and making Wales an even more attractive place for new investment. Welsh Government has been clear Wales must feel the benefit of our renewable revolution.

The Welsh Government has resisted sector specific energy targets, and it would be problematic to justify a sector deal focussed on one industry. A preferable approach would be to develop an industrial strategy across all sectors focussed on the actions both the sectors and WG may take to allow us to deliver on WGs renewable energy targets. This would cover the established technologies and the more innovative technologies. The Sector Deal could also evolve over time, so it does not become a stagnant document, reacting to current issues.

9. Implications of the GB Energy Bill for Wales

The Great British Energy Bill itself only creates the conditions for a new company to be established and details of the functions of GBE are still being announced.

We look forward to working with GBE together with Trydan Gwyrdd, the public energy company we created that is already operational, to develop renewable energy projects on the Welsh Government estate.

Welsh Government is very supportive of plans for GBE to work in partnership with The Crown Estate to bring forward both offshore and onshore renewable energy projects.

We are unsighted on the partnership arrangements the Crown Estate has entered into with GBE although we understand that it is mostly focussed on offshore wind and the Celtic seas for Wales.