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Llywodraeth Cymru
Welsh Government

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Llyr Gruffydd MS
Chair – Climate Change, Environment and Infrastructure Committee

23 January 2025

Dear Llyr,

Thank you for your letter of 16 December on the scrutiny of the Welsh Government's 2025-26 budget which was published on 10 December.

The enclosed paper provides detail on the Economy, Energy and Planning MEG plans, set out in draft budget and information on the specific areas requested by the Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive style.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Climate Change, Environment and Infrastructure Committee

Response to Follow Up Questions
on Draft Budget 2025-26 –
Economy, Energy and Planning
Main Expenditure Group (MEG)

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1. Energy

Green Energy

Can you clarify which specific projects and programmes sit under the green energy BEL?

The Green Energy BEL supports most of the Welsh Government's activity on the transition to meet our renewable energy targets and support the transition to a net zero energy system.

This includes the development of policy to support the scaling up of renewable energy generation and monitoring that activity through the publication of energy use and generation reports. Funding within the BEL also supports policy development to transition away from fossil fuels, including activity to publish policy positions on Carbon Capture and Storage and hydrogen. In addition, funding in the BEL supports the implementation of the Welsh Government's heat strategy.

As well as the above activities, funding within the BEL also supports our energy delivery functions. This includes fossil fuel licensing, the development and implementation of Local Area Energy Plans, strategic work on grid infrastructure needs in Wales, and the funding for Trydan Gwyrdd Cymru.

What are the budget allocations for Trydan Gwyrdd Cymru?

Trydan Gwyrdd Cymru has been allocated the following allocations for financial year 2025-26:

- £1.918m for non-project costs and;
- £4.526m for project costs.

These numbers are inclusive of VAT.

Alongside Welsh Government funding, do you envisage leveraging private sector funding to support Trydan Gwyrdd Cymru's work?

It is not anticipated that private sector funding will be leveraged in the near term to support Trydan Gwyrdd Cymru's work. The funding for financial year 2025-26 covers the core costs to fund the company and the early phase development work for their priority projects. Private sector funding opportunities are more likely to be associated with projects post development once developments have received planning consent. The Welsh Government is however exploring ways to enable partnership working between Trydan Gwyrdd Cymru and Great British Energy which could unlock different financing options.

How will allocations under the Green Energy BEL support renewable energy developers in Wales to maximise opportunities through the Contracts for Difference scheme?

The Green Energy BEL will support activity that will lead to a sector deal with the renewable energy industry in Wales. This sector deal will address barriers to scaling up renewable energy generation in Wales and identify opportunities to maximise economic and social value in Wales. The Green Energy BEL will also support our activity to support the marine renewable sector, including the offshore wind task and finish group. Together with our planning reforms we expect to see a rise in the number of renewable energy projects successfully bidding for Contract for Difference.

Ynni Cymru

How do the budget allocations reflect the Welsh Government's ambition for 1 GW of renewable energy generation capacity to be locally owned by 2030?

Welsh Government provides of a package of support to increase the amount of locally owned renewable energy generation in Wales including:

- Welsh Government Energy Service (WGES) which offers technical, commercial and procurement support to local authorities and community energy organisations. Support is available from project conception through to completion.
- Ynni Cymru which supports organisations and small businesses to develop and deliver Smart Local Energy Systems (SLES). As stated above, £2.47m revenue funding and £10m capital funding has been allocated to Ynni Cymru for financial year 2025-26.
- Community Energy Wales (CEW) which is a not-for-profit membership organisation that supports and represents community groups working on energy projects in Wales.
- Trydan Gwyrdd Cymru which is a renewable energy developer wholly owned by Welsh Government. Its aim is to develop at least 250 MW of new renewable energy generation capacity by 2030. As stated above, £1.918m revenue funding and £4.526m capital funding has been allocated to Trydan projects for financial year 2025-26.

How many community renewable energy projects do you intend to support through Ynni Cymru in 2025-26?

Ynni Cymru supports community renewable energy projects primarily through the provision of capital grants and its Health Check service.

The £10m Smart Local Energy System capital grant fund was awarded to 32 projects in financial year 2024-25, these projects were split across public sector organisations, community groups and SMEs. I will be announcing the next steps on how we intend to allocate the £10m Capital for 2025-26 in the coming weeks.

Ynni Cymru provides a range of services to the community energy sector ranging from online seminars and asset health checks. As these are demand led services, we cannot at this stage forecast the number of projects that will be supported through Ynni Cymru services during 2025-26.

Welsh Government Energy Service (WGES)

What is your current estimate of progress towards a net zero public sector by 2030, and do you believe this ambition is achievable?

There is no doubt that the 2030 ambition is challenging, but it is worth remembering that it is a collective ambition. There will be areas where some public sector organisations will excel and others where those same organisations will struggle.

This is an ambition, not a target, but we do expect every public sector organisation to strive to achieve it. It can only be achieved if all organisations pull together, which is what our Welsh public sector is so good at.

There is really positive work being delivered across the public service. From local energy planning, to work on decarbonising public service fleets, there is practical progress on the ground and really positive sharing of learning. I am grateful to the WLGA and NHS Wales colleagues for the way in which they are enabling this work.

How will budget allocations to the WGES accelerate progress towards a net zero public sector?

The capital funding within the Economy, Energy and Planning MEG does not fund the net zero public sector activity. The capital funding from the Green Energy BEL supports community energy projects through the local energy grant.

Can you confirm who has responsibility for the WGES, given that the Budget Expenditure Line sits under Climate Change and Rural Affairs rather than Economy, Energy and Planning?

The budget for the WGES sits within the Deputy First Minister's responsibility within the Climate Change and Rural Affairs MEG as it is primarily focused on public sector decarbonisation. The capital allocation of £2.2m is funded within my portfolio within the Economy, Energy and Planning MEG to deliver community energy projects through the local energy grant.

I work closely with the Deputy First Minister and my Cabinet colleagues, and our officials work closely across teams and departments.

Local Area Energy Plans

What is the reason for the delay in the plans being produced?

Welsh Government's work to help local authorities in Wales develop local area energy plans across Wales was completed in spring 2024, with authorities taking various routes to finalising and publishing their plans. Most plans have been signed off by the relevant local authorities' cabinet and published online. We are therefore in the enviable position of being the first UK nation to have full coverage of local energy plans.

How will the budget allocation of £0.65m be used to facilitate their completion?

The Local Area Energy Plans across Wales have already been developed. The £0.65m of the budget allocation will be used to continue funding the regional energy teams to ensure they can support local areas facilitate delivery of these plans.

The renewable energy deep dive said the Welsh Government would scale up local energy plans to create a national energy plan by 2024. Has this plan been developed? If so, how has the plan influenced budget allocations in the energy aspect of your portfolio?

Since the Local Area Energy Plans have been finalised, the Welsh Government has been working with the Energy Systems Catapult, our technical advisor on these plans, to bring together the data from across Wales, to understand what this means at both regional and national levels. Our intention is to continue to use this evidence base, incorporating it into Datamap Wales to support action.

The National Energy Plan however has not been developed. Since we committed to delivering a National Energy Plan, the situation across the UK has changed significantly. The co-commissioning of the Strategic Spatial Energy Plan (SSEP) for Great Britain by Welsh, Scottish and UK Governments, to be delivered by the National Energy System Operator, is a significant development. We also await clarity from Ofgem on the role of the Regional Energy System Planner, having worked with stakeholders across Wales to develop and provide a national response to the autumn consultation. The publication this month of the UK Government's Clean Power 2030 plan is a further development that broadly supports the commitments the Welsh Government has made. There is also a major programme under way to develop plans to transform the energy networks in Great Britain to better meet the needs of a low carbon and more distributed energy system.

We have therefore paused activity on the National Energy Plan in the latter part of last year. This has allowed us to work with the NESO and the UK Government to understand the array of changes under way and provide insight into Welsh policies in devolved areas. Once the timescales and outputs for the GB system plans are agreed, we will be able to judge whether a National Energy Plan is necessary to support delivery. Until then, we will continue to work with regions to understand and support their ambitions around energy and to deliver the economic opportunities across Wales from moving to a clean energy system.

2. Infrastructure Commission

The allocation of £400,000 for the NICW has remained the same as previous years. How has the review of the NICW been taken into account when making this allocation and does this indicate that the Commission will not be subject to any significant changes?

The £400,000 budget allocation for NICW comprises of £200,000 for the Commission's annual research / work programme and the remainder allocated to Commissioner fees, operating costs, events and smaller projects.

The review of NICW, which will be published shortly, has not specifically examined the amount of budget allocation.

During the past two financial years, NICW has not spent all its budget allocation, nor has it requested more to adequately carry out its work and remit. Given this, it would suggest that the current allocation is sufficient for NICW to carry out its remit.

3. Maritime Ports and Cardiff Airport

Please could you outline where in the draft budget funding for development of the strategy can be found? How much is budgeted for its preparation?

Funding allocation for the development of the Maritime and Ports strategy cannot currently be quantified, until we have determined the scope of the work and associated costs to develop the strategy by the end of this term of government. Therefore, given the uncertainties no funding has been allocated as part of the draft budget, but this will be monitored during the 2025-26 financial year.

Please can you set out the specific steps which will be taken in 2025-26 to develop this strategy?

My initial priority will be to support my colleague the Cabinet Secretary for Transport and North Wales with the establishment of a Welsh Government-led multistakeholder taskforce to develop a new strategy for the future of the Port of Holyhead. The task force will include participation from Minister Lawless from the Irish Government so that we can ensure that the port will meet the future needs of both nations. The taskforce will also consider the resilience of sea connectivity between Wales and Ireland more generally, so that these critical transport links can better withstand the challenges we expect from climate-driven changes in severe weather patterns and other hazards and threats. The taskforce will of course link in with our broader work on a Welsh Ports and Maritime Strategy for Wales.

This shorter-term priority work will help shape the scope of the wider Ports and Maritime Strategy for Wales and determine the budget required to deliver the Strategy. I will report back to the Committee once the taskforce has completed its work on a new strategy for the future of the Port of Holyhead and its work around the resilience of sea connectivity between Wales and Ireland more generally. I will write again to committee once we have agreed a scope and have allocated budget for the development of the strategy.

As noted in our letter to you following scrutiny in November, your official told us during that session that the Maritime and Ports Strategy was due to be developed by the end of this Senedd. However, the National Transport Delivery Plan indicates that this was to be completed between 2022 and 2024. Please can you explain why this deadline has slipped, including when the decision was taken, and what assessment you made of the impact on ports of the delay.

The Welsh Ports and Maritime Strategy for Wales has been put on hold for several years due to resource constraints, budget availability and changes in

government priorities. The original intention was to develop this alongside a new logistics and freight plan for Wales, another commitment under the Wales Transport Strategy given the significant interdependencies between the sectors, the supply chain challenges currently being experienced worldwide and the potential opportunities for more sustainable logistics models.

The former Deputy Minister for Climate Change prioritised developing a freight and logistics plan for Wales which now sits with the Cabinet Secretary for Transport and North Wales as part of his portfolio of responsibilities. The Welsh Government continues to work closely with all major Welsh Ports, and as a group via the Welsh Ports Group which includes representation from the industry bodies the British Ports Association and UK Major Ports Group as well as minor Ports being a collective voice for the industry in Wales.

The Welsh Government has assessed and continues to assess the requirements for support at Welsh major ports. These assessments include publications such as the Welsh ferry ports five-point plan, as well as work associated with the Freeport programme, post-EU border control arrangements and port infrastructure under the Marine Energy Programme.

Many of these assessments have been central to our work following Brexit and the Covid-19 pandemic. The Welsh Government has supplied matched funding for both Port Talbot and Milford Haven ports to assist their infrastructure development planning for floating offshore wind opportunities.

We continue to work with the UK Government on Freeports and Border Control Posts (BCP). We will work with ports and their key stakeholders to develop our thinking about a new ports' strategy for Wales.

The current total projected cost is £87.6m. The UK Government has provided £53.5m towards these costs up to 2025-26 which have been assessed by previous UK Treasury decisions as necessary for the build. We are continuing our discussions with UK Treasury around the remaining costs for operation.

The projected cost assumes that, after a short transitional period, all operational costs can be met from charges.

Progress continues with the UK Government on a range of port-related issues including floating offshore wind, border control posts and the Freeports programme. The Freeports Programme in Wales aims to regenerate ports, foster economic growth and promote sustainability and fair work. Last year the Welsh and UK Governments jointly announced two prospective Freeports in Wales: the Celtic Freeport in Neath Port Talbot and Pembrokeshire and the Ynys Mon / Anglesey Freeport. Both have now submitted outline business cases and proposed tax sites which are in the final stages of assessment by both

governments. Agreement of outline business cases will lead to the designation of tax sites and an invitation to submit a full business case to release up to £25m of capital seed funding. These prospective Freeports are focused on boosting the distinct strengths that both sites boast, exploiting opportunities from offshore wind and marine energy to advanced manufacturing and innovation.

Further assessment of the five-point plan will be fed into the future Maritime Strategy.

Please could you set out how you have engaged with the Cabinet Secretary for Transport and North Wales on the development of 2025-26 draft budget within the transport MEG, specifically in terms of the prioritisation of schemes which might be needed to support maritime ports and Cardiff Airport.

I work closely with the Cabinet Secretary for Transport and North Wales regarding prioritising transport schemes that improve connectivity to our maritime ports and Cardiff Airport. Regarding Cardiff Airport, Transport for Wales (TfW) operates an hourly service on the Vale of Glamorgan line serving Rhoose International Station and connecting with the 905-shuttle bus, which operates between the main Airport terminal and Rhoose rail station. The 905 bus is specifically timed to connect with train departures on the Vale of Glamorgan rail line linking Cardiff to Bridgend. The Airport is also served by the 304-bus service to Llantwit Major, Barry and Cardiff. TfW will be introducing additional peak time rail services on the Vale of Glamorgan line by 2026 providing additional public transport opportunities to travel to Cardiff Airport. The Cabinet Secretary for Transport and North Wales has also grant funded improvements to the bus waiting area at the Airport, new improved shelter, seating and real time bus information which will benefit passengers and staff travelling by bus links. TfW will also be rolling out "Pay as You Go" ticketing across the South Wales Metro area later this year which will benefit passengers and provide them with the cheapest fares for journeys within the South Wales Metro area.

I continue to work with the Cabinet Secretary for Transport and North Wales, TfW and Cardiff Airport to explore solutions to improve direct services to and from Cardiff Airport.

Maritime Ports and Cardiff Airport Transport connectivity needs are considered as part of the Regional Transport Plans that the Corporate Joint Committees are preparing now and offer another forum within which Government can look at any connectivity issues or opportunities. Equally, my officials work closely with the Cabinet Secretary for Transport and North Wales' officials when working on the Celtic Freeport in Neath Port Talbot and Pembrokeshire and the Ynys Mon / Anglesey Freeport business cases to ensure passengers and freight connectivity needs are considered as part of the development of the Freeports.

We have received a paper from the Cabinet Secretary for Transport and North Wales which indicates that the National and International Connectivity BEL within the Transport MEG includes funding for “on-going work on the future of Cardiff Airport”. Given that you are responsible for the Airport: Can you outline why this funding is not within your MEG, what it will fund and how you are involved in delivery of this work?

In his evidence to your Committee on 8 January 2025, the Cabinet Secretary for Transport and North Wales set out the rationale for where the budget sits. The funding relates to on-going WGC Holdco Limited operational costs and Welsh Government consultancy fees in relation to Cardiff International Airport Limited. I am very much involved in the delivery of this work.

While we appreciate that you are limited in what you can say on the detail of the CMA report and your approach to funding for the long-term strategy for Cardiff Airport, we would like some reassurance on the planned approach and the way forward. The budget documentation does not include any reference to the long-term strategy: Can you reassure us that the funding will be available once you have determined the approach following your review of the CMA’s report, and indicate where this funding is currently held?

The CMA published its report on 2 October 2024. I will take the necessary time to fully consider their assessment and determine whether we need to refine our proposed investment program based on their feedback. As part of this, I will consider the implications for budgets in 2025-26 and future years, and will discuss with my Cabinet colleagues and agree our future approach.

We note that the BELs included in the draft budget have a negative allocation of £3m of resource, and about £1.8m of capital funding, for Cardiff Airport. Please can you set out what these relate to?

The total revenue funding allocated as part of this budget has been maintained at £-3m (Cardiff International Airport BEL 1240). This relates to the annual accrued interest on Cardiff Airports outstanding loan. In December 2024, the outstanding debt was £34.3 million. This includes interest, which is added to the balance each month.

The £1.783m of capital funding for Cardiff Airport (Cardiff International Airport BEL 1240) is an annual indicative allocation of funds for the airport. Given I am still considering the findings of the CMA’s report no budget has been allocated as part of the draft budget for Cardiff Airport, but this funding would be used in the first instance.

4. Planning

Resource funding for the Planning and Environment Decisions Wales (PEDW) and Planning & Regulation Expenditure BELs has increased by £3.82m to accelerate infrastructure planning decisions.

The Draft Budget narrative says “key delivery partners, including Natural Resources Wales [NRW], will receive an uplift in funding, including an additional £5m to enhance its capacity to progress infrastructure consents promptly and to provide necessary input in the land use and marine planning processes”.

What will the £3.82m resource allocation be spent on specifically?

Funding for PEDW and Planning and Regulation has increased by £3.741m when compared to the revised baseline. Of the additional £3.741m increase, £1.9m allocated for PEDW will be utilised to support the increase capacity to deal with infrastructure applications in a timely way. The additional funding will be spent on:

- £453,890 to cover inflationary cost pressures (e.g. pay awards and other essential running costs like travel and subsistence, postage, and IT licences) that have arisen since 2021 when PEDW's Programme Funded budget was set at a flat rate.
- £400,000 for digital 'one-off' costs to complete Casework Portal work to enable submissions and representations to be made electronically, and to facilitate essential migration of our CRM system onto new digital platform.
- £1,046,110 for additional staff, including Planning Inspectors and Caseworkers, to respond to increased work pressures in priority casework including Development of National Significance (DNS) applications and examination of Local Development Plans (LDPs)

The £1.841m increase for Planning and Regulation expenditure is intended to support accelerated infrastructure planning decisions and assist the recovery of planning services at the local level. The enhanced budget is supportive of our proposals to increase planning application fees to cost recovery levels and improve local planning authority resilience as set out in our recent consultation **Promoting a resilient and high performing planning service | GOV.WALES**.

Although the precise allocations are yet to be determined, indicative allocations include;

- £150,000 to enhance infrastructure decision making capacity in Planning Directorate; £260,000 for sector wide workforce planning and local planning

- authority bursary and apprenticeship schemes to increase the pipeline of planners,
- £1,000,000 for supporting regional working and local authorities with high infrastructure application caseloads and;
 - £400,000 for digital transformation of planning services.

What will the £5m additional allocation proposed for NRW be spent on specifically?

The funding provided to NRW does not sit within the Economy, Energy and Planning MEG. It sits from within the Climate Change and Rural Affairs MEG. The additional revenue funding is targeted at accelerating NRW's determination of infrastructure and planning decision in response to the First Minister's priority re jobs and green growth. The funding will support the introduction of 59.5 new roles needed to increase NRW's capacity across a range of its services, including planning advice, marine advice, regulation and preparation of processes, guidance and systems to implement the Infrastructure (Wales) Act 2024. This Act aims to simplify the process for developing significant infrastructure projects by establishing a single infrastructure consenting process for specified types of major infrastructure projects. NRW has a major role to play both as a statutory consultee and as the regulator for a range of consents – these include: -

- Statutory consultee in the planning system
- Statutory consultee for a range of consents for marine development
- Regulator for a range of necessary consents and permits, e.g. marine licences and EPR

What assessment have you made of the impact this level of additional funding will have on timescales for infrastructure planning decisions?

The funding for additional staff resource in PEDW will deliver additional capacity, above business as usual, to meet increased work demands in the following areas:

- Examination of 8 Local Development Plans – submissions expected in 25/26 – 26/27.
- Examination of 3 DNS (or Infrastructure Consent) applications per Planning Inspector per annum, i.e. 8 new Inspectors = 24 applications per annum.
- Clear current backlog of around 200 planning and environmental appeals arising from prioritisation of DNS and LDP work amongst other things.
- Funding will double capacity in the Infrastructure Consent Casework Team to speed up validation and acceptance timescales.

Infrastructure planning and delivery is a complicated interconnection between the various roles of the applicant, consultees, and decision makers. NRW alone cannot speed up timescales for decision, however, in terms of impact on NRW's own ability to act in a timely manner, the additional funding will enable NRW to:

- Handle a greater volume of applications once tools and staff are in place and trained.
- Improve its engagement at pre-application stage; assuming advice is acted on, this will reduce the time needed at the formal application stage; and
- Increase its own efficiency by improving the range of standing guidance, processes and systems.

When do you expect to see results?

From Jan 2025 the delegation of decisions to Planning Inspectors on energy projects up to 50MW will speed up DNS decisions by approximately 12 weeks.

By April 2025 additional Casework Officer resource will speed up time frames from submission to 'acceptance' from current peak of 6-7 months to 6-8 weeks.

Improvements to PEDW Casework Portal to be launched March 2026.

By the end of the year, increased Inspector capacity should result in quicker end-to-end processing of Infrastructure applications and reduce average speed to determine applications by 6-8 weeks.

The additional resource will help PEDW to prepare for procedural changes resulting from the new Infrastructure Consenting regime under the infrastructure (Wales) Act, to ensure a smooth transition from DNS regime.

NRW intends to phase delivery to ensure smooth implementation of additional staff and systems. NRW expect to see:

- tools and processes coming into place to support implementation of the infrastructure Consenting regime during 2025-26.
- a steady uplift in the efficiency of marine and terrestrial advice on infrastructure decisions following investment in and training of case managers and specialist advisors.
- a steady increase in standing guidance providing applicants with greater clarity and advice upfront, both from NRW's statutory consultee and permission roles.
- new regulatory processes and novel technologies in place to streamline permitting approaches.

- An uplift in permitting capacity for industrial decarbonisation in 2025-26.

More broadly, how does this Budget increase capacity elsewhere in the planning system, which has a key role in supporting decision-making on infrastructure developments?

The draft budget increase must be viewed alongside the comprehensive proposals set out in the consultation Promoting a resilient and high performing service and the infrastructure (Wales) Act and associated forthcoming subordinate legislation. Both the consultation and the legislation operate on the principle of full cost recovery. The budget allocation is intended to pump prime and accelerate capacity building ahead of full cost recovery through mechanisms including providing financial support for bursaries and apprenticeships to increase the number of appropriately qualified professionals. It can also provide pump priming funding for regional working in specialist areas such as providing advice on the impact of infrastructure projects and direct support for local planning authorities subject to multiple infrastructure applications.

The Draft Budget narrative says key delivery partners, “including” NRW will receive additional funding – other than NRW, which organisations are these, how much funding is allocated to them and for what purpose specifically?

Local planning authorities/Corporate Joint Committees will be the main beneficiaries of the additional £1.841m for the purposes as detailed above.

Does the Draft Budget provide additional funding specifically for Local Planning Authorities to increase planning capacity? If so, how? If not, why?

Local planning authorities/Corporate Joint Committees will be the main beneficiaries of the additional £1.841m for the purposes as detailed above.