

## **Enterprise and Business Committee 23 September 2015**

### **Evidence Paper - Jane Hutt AM, Minister for Finance and Government Business**

#### **Evidence Paper**

#### **Introduction**

1. This paper sets out the written evidence on the Juncker Investment Plan and European Investment Bank (EIB) finance; the EU Funding Ambassadors; Horizon 2020 and the Maritime Economy.

#### **Juncker Investment Plan and EIB Finance - European Fund for Strategic Investment**

2. On 26 November, Commission President Juncker announced the Investment Plan for Europe at the European Parliament, including plans to establish a European Fund for Strategic Investment (EFSI). The EFSI will provide risk-bearing guarantees to the European Investment Bank (EIB) with a value of €21 billion for major strategic investments in areas such as transport, energy, innovation, research, education and support for SMEs. The ambitious aim is to mobilise €315 billion of additional, principally private sector, investment over the next four years.
3. Following the initial announcement in November, the Welsh Government worked quickly to identify appropriate Welsh schemes that might potentially benefit from repayable loans from the EFSI and which could be included on a UK indicative project pipeline being developed by the UK Government. As a result, ten Welsh projects were included on the UK indicative project pipeline and, of these, one Welsh project was included on the Commission's pipeline of investment opportunities across Europe.
4. Since then, the Welsh Government has continued to review and refine the indicative Welsh pipeline. I established a Task and Finish Group on EFSI, including representatives from all Welsh Government Departments, to lead this work. The process has also been informed by a significant period of engagement within Wales, across the UK and at a European level.

#### **Engagement on the Welsh EFSI Pipeline**

5. The Welsh Government has taken a collaborative approach to the EFSI, which has ensured that the revised pipeline of Welsh schemes with potential to access financing through the EFSI includes schemes from across both the public and private sector. The pipeline also reflects a broad range of sectors, including Health; Transport; Energy; Flood; Innovation; FE; Education; HE; and Housing.

6. In terms of engagement within Wales, I have worked closely with all Ministers to identify appropriate schemes, which could potentially benefit from financing through the EFSI. This has included engagement with a broad range of stakeholders, including Local Authorities, Further Education Institutions, Registered Social Landlords and private companies, in order to capture the breadth of investment opportunities available in Wales.
7. At a UK level, I have also led engagement with counterparts in the Scottish, Northern Irish and UK Governments. In addition, Welsh Government officials are also engaged at a UK level through the Cross-Government Group on EFSI (Whitehall and Devolved Administrations), which is coordinated by HM Treasury and Cabinet Office.
8. At a European level, I have met representatives from the European Commission last March in order to establish early clarity on the detailed arrangements for the EFSI. In July, I also met Jonathan Taylor, Vice President at the EIB with responsibility for financing operations in the UK, at the EIB's Luxembourg headquarters. Further information on that meeting is contained in my Written Statement, available at <http://gov.wales/about/cabinet/cabinetstatements/2015/mtgjt/?lang=en>.

#### Next Steps

9. The Welsh Government will continue to progress its positive discussions with the EIB on specific schemes. The EIB has already acknowledged the robustness and credibility of the Welsh pipeline and, in that context, the Welsh Government remains optimistic that Wales will continue to see significant investment from the EIB in the coming years, including financing available through the EFSI.
10. During my meeting with the EIB on 16 July, Jonathan Taylor accepted an invitation for the newly expanded EU Investment Advisory Hub to hold a workshop in Wales to promote EFSI to project sponsors. This will provide a further opportunity to promote the EFSI in Wales directly with project sponsors and I will provide an update on this workshop in due course.

#### **EU Funding Ambassadors**

11. I appointed the panel of EU Funding Ambassadors (Dr Hywel Ceri Jones, Dr Grahame Guilford and Gaynor Richards MBE) on 3 December 2014 to help promote and maximise opportunities presented by the EU's directly managed funding programmes. The appointments were made in direct response to the Enterprise and Business Committee's report on EU funding opportunities 2014-2020, published in July 2014, which highlighted the need to engage in and promote further the EU's directly managed programmes in Wales.

12. In making the appointments I was keen that the Ambassadors should utilise their considerable knowledge and experience of European policies and funding and of working with private, public and third sector stakeholders to help strengthen the partnership arrangements needed to help the Welsh Government in championing these directly managed EU funds. The Ambassadors have been tasked to work within their respective sectors to help promote and maximise these funding opportunities and to advise me on how Wales can be more successful in exploiting funding under these programmes.

### Work Programme

13. I asked the Ambassadors to focus their efforts on those aspects of the directly managed EU funds where they can make most impact both individually and collectively. They identified SMEs and Universities and young people from early childhood into employment, as priority areas and I agreed that their initial focus should be on Erasmus and the Europe Culture Programme – Dr Hywel Ceri Jones; Economic Development (including Horizon 2020, Interreg and R&D funds) - Dr Grahame Guilford and on Third Sector participation and Tackling Poverty – Gaynor Richards. The Ambassadors are due to submit an initial report to me in the Autumn followed by a final more substantive set of recommendations in Spring 2016.

### Engagement

14. Much of the Ambassadors' initial work has involved a series of fact finding meetings to establish how we can make better use of the opportunities that the range of EU programmes present to Wales. This has included meetings with the WLGA, the WCVA and the FSB, together with various other partners and stakeholders across all sectors involved in the deployment and delivery of European Funding. They also had a series of very useful meetings with the European Commission when they accompanied me on my St David's Day visit to Brussels earlier this year.

15. As these directly managed EU funding programmes cut across the Welsh Government, the Ambassadors have also met with a number of Ministerial colleagues and their officials. Further meetings are planned, including a meeting with the First Minister on 14 September.

16. In taking forward the Erasmus and Creative Europe agenda, Dr Hywel Ceri Jones has met with both Julie James (Deputy Minister for Skills) and with Ken Skates (Deputy Minister for Culture, Sport and Tourism) and their officials and has also held a number of productive meetings with the British Council, which provides support for Erasmus across the UK. He is engaged in examining the role of Universities throughout Wales in embedding a strategy of internationalism for their study and teaching programmes and, with the support of officials and Universities Wales, he is in the process of facilitating a conference on Erasmus in November as part of the Welsh Government's Wales Forum on Europe programme.

17. Dr Grahame Guilford is combining his Ambassador role with his work on the Life Sciences business development programme. This programme involves significant activity in Europe and there are considerable synergies to be made with Horizon 2020, European Territorial Co-operation and European Research Council funding. Dr Guilford's work, in particular, will involve identifying best practice within industry clusters in Europe and how this may be applied in Wales. He presented at the health, care and life sciences workshop during WEFO's event to mark the first anniversary of Horizon 2020 last February and also at the annual Wales Forum on Europe: Jobs and Growth event in April.
18. Gaynor Richards has been actively involved in promoting the EU funding opportunities for the third sector, and has been working closely with the WCVA. She and Dr Jones were instrumental in organising a WCVA conference in May "Europe Matters to Wales" designed to demonstrate how the wide range of EU funding opportunities, which the third sector can access, can contribute to Wales' economic and social transformation. Mrs Richards was a key note speaker and Dr Jones chaired the concluding panel.
19. The Ambassadors are already making a significant impact and this work is set to continue with a heavy work schedule planned over the coming weeks, including a series of meetings with the European Commission, MEPs, and officials from Wales House and from the Scottish Government and Northern Ireland Executive based in Brussels. All 3 Ambassadors have also accepted an invitation to attend a joint Welsh Government, WLGA and Welsh Higher Education Brussels event next month to promote the European Territorial Cooperation Programmes at which I will speak and Hywel Ceri Jones will chair.
20. The Ambassadors also continue to engage with the 'network' of Welsh Government officials established, on their recommendation, to represent and report on the European interests of each policy portfolio. The network has made good progress in mapping out existing and potential future engagement arrangements. This will provide a useful communication tool in the future and will assist the Ambassadors in framing their report to me in the Autumn.

## **Horizon 2020**

21. It is still early in the programme period to confirm statistical trends, but it is clear that Horizon 2020, as expected, is more competitive than its predecessor Framework Programme 7 (FP7). This reflects the fact that many areas of the programme are heavily oversubscribed, including new initiatives such as the SME Instrument.
22. Considering the level of competition, the performance of Welsh organisations has been encouraging in many areas. The latest available

data (from 17 July 2015<sup>1</sup>) shows that 44 Welsh participants were selected for funding, involving EU funds of €17.6 million. This means that after the first year's calls, Welsh organisations have accessed 12% of the total amount achieved in the 7 years of FP7.

23. The success rate for Welsh applications is currently just under 14%, which is below the equivalent EU average of 16%. The emerging pattern of Welsh participation appears to be similar to FP7, with highest levels of funding from the European Research Council, Marie Skłodowska-Curie, ICT and Food, Agriculture, Marine, Biotechnology.
24. The challenge of such a competitive programme can be offset by the efforts of all stakeholders to build on lessons learned from the first year of Horizon 2020. There is a notable increase in enthusiasm among Welsh stakeholders to work together in order to access Horizon 2020, providing a promising environment for the Welsh Government's measures to facilitate more successful applications.
25. CM International's Horizon 2020 Scoping Study<sup>2</sup> examined how best to support Welsh organisations to access Horizon 2020. The Study endorsed the approach that the Welsh Government's Horizon 2020 Unit has taken in working closely with key stakeholders in Wales, the UK and Europe to co-ordinate and facilitate actions that will maximise the Horizon 2020 opportunities for Welsh organisations.
26. The Study's recommendations are being taken forward by the Unit under five key objectives:
- Build a 'stairway to excellence' (using European Structural & Investment Funds to build capacity for accessing Horizon 2020);
  - Increase the engagement and success of businesses (targetted one-to-one support for businesses);
  - Develop a Horizon 2020 culture and community in Wales (events and communication activity, including an annual Horizon 2020 event);
  - Maximise the impact of existing and emerging support (best practice network and other engagement, including in Brussels); and
  - Support and develop our experts and evaluators (establishing a community of practice for Welsh Horizon 2020 experts and evaluators).
27. Notable progress has already been made against these objectives as detailed below.
28. A number of capacity building investments have already been made, including the £35m – £20m of European Regional Development Fund

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<sup>1</sup> <https://ec.europa.eu/programmes/horizon2020/en/horizon-2020-statistics>

<sup>2</sup> Horizon 2020 Scoping Study, CM International, May 2014  
<http://wefo.gov.wales/publications/guidanceandpublications14-20/programmevaluations14-20/10179328/?lang=en>

(ERDF) support - Aberystwyth Innovation and Enterprise Campus and the £44m – £4.5m ERDF - Cardiff University Brain Research Imaging Centre. Significant progress has also been made on the Welsh Government's proposals, working closely with Welsh Higher Education, for complementary investments in researcher capacity through Horizon 2020's CoFUND and ERDF, with announcements expected in the Autumn.

29. The Welsh Government has also announced the SMART Innovation Scheme, funded by ERDF, which includes targeted one-to-one support for Welsh businesses considering Horizon 2020. This means that Horizon 2020 support is integrated into the wider innovation offer, ensuring that businesses get the right support for their stage of development.
30. The Horizon 2020 Unit hosted Wales' first Annual Horizon 2020 Event in February 2015. With the theme of "Building a stairway to excellence in Wales – maximising the impact of EU funding for research and innovation", the event not only set the scene in terms of the strategic approach to research and innovation in Wales but also the practical support available for Welsh organisations to access Horizon 2020.
31. This support includes SCoRE Cymru (Supporting Collaborative Research and innovation in Europe), which as part of the 'stairway to excellence' has committed over £166,000 to support around 40 organisations with the travel and expertise costs involved in developing Horizon 2020 applications. 73% of this funding has been allocated to Welsh SMEs.
32. The Horizon 2020 Unit continues to work closely with stakeholders including Welsh Government Departments, the higher education sector in Wales, Innovate UK and the Enterprise Europe Network, to co-ordinate and target support for Welsh organisations and share best practice. There is also a strong focus on promoting the expertise of Wales in Brussels, both through co-ordinating events and by building and encouraging links with the right networks. Early informal meetings of the community of practice for Welsh Horizon 2020 experts and evaluators have already demonstrated that it will have a key role to play.
33. It is therefore expected that the delivery of these key objectives and associated actions will help increase both the number of Welsh organisations applying to Horizon 2020 and the success rate of their applications. This should lead to an additional €40m coming to Wales (compared to FP7) and wider long term structural and cultural benefits.

### **The Potential of the Maritime Economy in Wales**

34. There are opportunities to support marine renewable energy under the 2014-2020 ERDF Programmes, while the European Territorial Co-operation Programmes (in particular the Ireland Wales cross-border and Atlantic Area transnational Programmes) by their very nature, include the

marine environment, including the maritime economy, as a priority for investment.

### ERDF Programmes

35. The 2014-2020 ERDF programmes have for the first time identified renewable energy as a priority in itself. This includes a specific Maritime Renewable Energy objective “ - To increase the number of wave and tidal energy devices being tested in Welsh waters and off the Welsh coast, including multi-device array deployments, thereby establishing Wales as a centre for marine energy production.” This has €100m dedicated to the sector becoming established in Wales as a world leader.
36. The main priority is to deliver two demonstration zones (a wave demo zone off South Pembrokeshire and a tidal stream demo zone off Anglesey). By providing the generic Environmental Impact Assessments, having the Crown Estate long-term leases in place and connection to grid, these zones will vastly reduce the time, costs and risks to individual developers in the sector, so accelerating the evolution of the industry. The first zone should be ‘open-for-business’ towards the end of 2018.
37. In the meantime there are two operations that have been approved under the new programmes, with many more in the pipeline:
- Deep Green is a unique approach to tidal stream exploitation in that it uses underwater kites that can capture and produce energy from much slower tidal stream speeds than has been the norm in design thus far, so opening up a much more vast ocean resource. The Beneficiary is a company from Sweden who are setting up their UK headquarters in Anglesey and creating the fabrication centre there too. This operation was approved in April 2015;
  - WaveSub is an operation that is in the design and test stages of a scale version of the final solution of a Swansea-based private company. This first step will be quickly followed by a further full-scale device design and deployment off South Wales with the eventual deployment of a full array. This operation was approved in August 2015;
  - The pipeline beyond these for individual developers who either want to use the demonstration zones or deploy independently of those is very healthy and includes developers from Scotland, Canada and North America.
38. It should also be noted that beyond this dedicated funding, other parts of the programmes can support the development of the marine energy sector in Wales both directly and indirectly. All research and innovation funding, as well as funding directed at SMEs could conceivably be accessed by researchers and businesses in the marine energy sector. WEFO is for

example, currently considering an application for the next iteration of SEACAMS under the Research and Innovation priority, which could reach approval stage in the Autumn of 2015.

39. Ports devolution is a matter for the Minister for Economy, Science and Transport and WEFO will wish to ensure that any investments are in line with latest policy documents/delivery plans.

#### Other funding Opportunities

40. Similarly skills development and employment programmes under the ESF Programmes could potentially be used to support the development of the work force to support the marine energy sector. Indirectly, the Welsh Government is also improving transport links to the coastal areas in which marine energy devices will be tested and looking at the development of those areas.
41. As noted earlier in this paper, the Horizon 2020 programme and the EFSI both offer opportunities, as do the European Territorial Co-operation Programmes. In particular the Ireland Wales cross-border Programme will support links between Further and Higher Education and SMEs surrounding the shared priorities of the smart specialisation strategies in both countries including Marine and Environmental Sciences (including renewable energy). The Atlantic Area Programme, while still being negotiated, is likely to include renewable energy pilot demonstration models together with capacity building, to coordinate both the supply and value chains for marine renewable energies and the development of networks of clusters.