



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE Outcome of the Deep Dive into Renewable Energy
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In the lead up to COP26 we published Net Zero Wales which set out the actions we need to take in Wales to meet our second carbon budget (2021-2025) and lay the foundation for longer term emissions reduction as we respond to the climate and nature emergency. Net Zero Wales reaffirmed our commitment for a significant transformation of energy generation moving away from fossil fuels to sustainable renewable generation.

In doing so we are clear that we must learn from previous industrial revolutions where Wales' natural assets were utilised with little lasting long term benefit to our communities.

The terms of reference for the deep dive group were simple: to identify barriers to significantly scaling up renewable energy in Wales and identifying steps to overcome the barriers. We looked at short, medium and long term steps, and in doing so we will have a particular focus on retaining wealth and ownership in Wales.

Strategic leadership

Our vision is clear, we want Wales to generate renewable energy to at least fully meet our energy needs and utilise surplus generation to tackle the nature and climate emergencies. We will accelerate actions to reduce energy demand and maximise local ownership retaining economic and social benefits in Wales.

The Welsh Government is already providing the strategic leadership in Wales through our commitments in Net Zero Wales, and our work on strategic planning of grid infrastructure requirements for Wales. We recognise the need to develop solutions at the local level with our communities and citizens in Wales. We will scale up local energy plans to create a national energy plan by 2024, mapping out future energy demand and supply for all parts of Wales. Alongside this planning we need to bring citizens with us and explore how changes in the use of energy can bring greater flexibility in the energy system. This will need the involvement of households and businesses in the significant opportunities from matching renewable generation in Wales to energy use. Our Net Zero Wales public engagement and behaviour change plans will help citizens to take action to reduce demand, improve

energy efficiency and use energy in a way which supports our vision . But this will require easy to access advice services and a functioning supply chain to help households and businesses make the changes. We want to see this and our heat strategy will set out actions to achieve this informed by our forthcoming Warm Homes consultation.

Grid infrastructure

There is consensus that a major barrier to scaling up renewable energy generation in Wales is insufficient capacity in the networks responsible for connecting homes and buildings with electricity and gas. This is a barrier to investment impacting across technologies and across private, public and community sectors in Wales on all scales, though it is also driving innovation in local energy systems. While the network operators and the energy regulator, Ofgem, have plans in place to bring forward investment in Wales, both in flexibility mechanisms and in new infrastructure, there was agreement that more action is needed to improve transparency on constraints and opportunities within the network and bring greater clarity and certainty on where strategic investment in the networks is needed.

We have already committed to lead the development of a strategic plan for the future energy grid to 2050. We will use the information and evidence gathered in the Future Energy Grid project to proactively engage with Ofgem on network investments that support Wales and retain value here. Building on this work, we will work with Ofgem to consider the creation of a Wales System Architect to oversee offshore and onshore investment to support the Celtic Seas developments, supporting business cases for whole system planning and bring together of plans across South, Mid and North Wales and the development of a detailed whole system plan for gas and electricity transmission and distribution networks.

Consenting, licencing and supporting advisory arrangements

It is clear across all forms of technology, on land and in the sea, that further action is needed to improve consenting, licencing and statutory advisory arrangements in Wales to bring forward appropriate investments.

We will bring forward a Welsh National Infrastructure Consenting regime to ensure Wales has efficient and effective consenting arrangements for both on and offshore renewable development, as well as other infrastructure, in Wales.

While the planning system is well established for developments on land in Wales, and evidence and actions to improve the system are well built in to the development of national and local policy, the marine planning system is less developed. As more major offshore and marine energy projects come forward, we need to ensure the marine planning system is fit for purpose. While significant work has been progressed through the Consenting Strategic Advisory Group (CSAG) and associated Science and Evidence Sub-Group (SEAGP) we will undertake an end-to-end review of marine licencing and consenting to improve the process. The review will also include the process for obtaining an environmental permit, with a particular focus on emerging technologies.

The review will look at the resource needs and options for consenting and advisory processes to keep pace with the growth in renewables. In addition we will provide greater spatial direction and prioritisation to support marine renewable energy development by identifying strategic resource areas by 2023 to signpost appropriate and inappropriate areas for development. This will take into account our energy needs and the needs of our ecosystems, the environment and needs of other sea users. This needs to support a pathway for marine renewable developments, seeking win-win outcomes and supporting projects to contribute towards positive outcomes for marine biodiversity.

Finance

In many of our discussions, including with developers, we recognise that nothing happens without sufficient finance and application of in-depth expertise and these are considered to be significant factors in scaling up renewable energy in Wales. We will set up a working group to consider how Wales can attract new investment to support the scaling up of renewable energy generation in Wales. This will prioritise specific action to attract new investment to support local community ownership and to maximise local economic and social value. The Welsh Government will facilitate the work, which will involve financial, renewable energy and community energy expertise.

Alongside the work to consider options to bringing in new sources of finance we also seek to create an alliance with devolved Governments to ensure future subsidy rounds through the Contracts for Difference reflect the primacy of supply chain development and achieve a coherent and balanced development pathway for early commercial and emerging technologies.

We also recognise the opportunities to maximise the buying power of the public sector and will review options for how our procurement policies and practices can accelerate renewable energy generation in Wales and incorporate social value.

Opportunities in Wales

We want investment in Wales to support jobs in the supply chain and investment in our communities. To enable this we will build on the excellent industry collaboration in Wales to upskill our workforce through the development of a net zero skills action plan.

As more projects are developed at sea we recognise our ports provide a gateway to retaining value in Wales. Building on the work underway through the Marine Energy Programme, we will work with ports in Wales to identify opportunities for specialisation and collaboration to support renewable energy investments. We will also work with the UK Government, alongside the Crown Estate as a key land owner, to support strategic investment in ports in Wales.

Alongside a thriving industrial sector, Wales also has an impressive community energy sector. We have committed to expanding renewable energy generation by public bodies and community enterprises in Wales by over 100 MW between 2021 and 2026 as we look

to meet our longer term target of 1 GW of renewable energy generation capacity to be locally owned by 2030.

We want to go further, and in addition to the working group set up to look at how we can bring lower cost finance and new financing models to support renewable generation in Wales, we will involve community enterprises in the future development and design of the new Welsh Government Energy Service to include how we resource the sector in Wales.

Finally, as we look to the future, we recognise the role that innovation will continue to play in driving forward new renewable technologies and smart solutions to manage demand in a flexible way. We must continue to support innovation in Wales, focussing on our strengths and acting to address specific challenges where innovation will help provide solutions.

We recognise there is a need to push the boundaries and test what is possible with greater flexibility around our regulatory frameworks. We want to work with Ofgem to trial approaches to regulation which are better suited to achievement of the more flexible and localised energy system we need to create.

I am extremely grateful for the members of the deep dive group, the participants in the three roundtable discussions and the input from individual submissions.

Recommendations

Strategy

Recommendations
1. Our Vision is for Wales to generate renewable energy to at least fully meet our energy needs and utilise surplus generation to tackle the nature and climate emergencies. We will accelerate actions to reduce energy demand and maximise local ownership retaining economic and social benefits in Wales.
2. We will scale up local energy plans to create a national energy plan by 2024, mapping out future energy demand and supply for all parts of Wales to identify gaps to enable us to plan for a system that is flexible and smart - matching local renewable energy generation with energy demand.
3. Our Net Zero Wales public engagement and behaviour change plans will help citizens to take action to reduce demand, improve energy efficiency and use energy in a way which supports our vision.
4. We want to see an easy to access advice service set up to help people improve the energy efficiency and smart performance of their homes and businesses as well as a ready supply of trusted suppliers and installers of low carbon heating systems in Wales. We will scope additional actions as we develop our future Warm Homes Programme and Heat Strategy.

Grid

Recommendations
5. We will step up our engagement with Ofgem to set out Wales' investment needs, with a focus on retaining value within Wales. We will set up a joint-working group to look at options for supporting new, flexible grid connections for renewables and energy storage solutions.

- 6. Building on the Future Energy Grid Project, we will press Ofgem to create a Wales Energy System Architect to oversee:**
- a) Demand side flexibility, domestic, non-domestic and dedicated, including energy storage**
 - b) The mapping of fuel (& transport) poor households against Distribution Network Operators (DNO) current & predicted constraint management zones (where demand side response/flexibility has greatest system value) with a view to socialised deployment of low carbon flexibility technologies to these homes and households**
 - c) Smart solutions for transmission and distribution including the use of Artificial Intelligence (AI) to maximise the use of the existing network. Including development of requirements, funding and opening up to the market for innovation. Engagement and inputs required from across industry.**
 - d) Supporting business cases for whole system planning and bring together of plans across South, Mid and North Wales**
 - e) Competition for network build to decrease costs and accelerate build times**
 - f) Development of a detailed whole system plan covering transmission and distribution**
 - g) Celtic Sea offshore network design and onshore reinforcements**

Consenting, licensing and supporting advisory arrangements

Recommendations
<p>7. We will undertake a review of consenting and supporting evidence and advice, to ensure a timely and proportionate process including:</p> <ul style="list-style-type: none"> a) An end-to-end review of the marine licensing, consenting and supporting advisory processes to remove barriers, drawing on the work of existing groups

- b) A review of resource needs and options for consenting and advisory processes to keep pace with the growth in renewables, including an urgent review of resource needs and options for NRW's Offshore Renewable Energy Programme**
- c) Identifying priority marine and terrestrial evidence gaps and mechanisms to fill them, to expedite the application process**
- d) Reviewing and mapping the process for land based renewables installations to obtain an environmental permit, with a focus on emerging technologies**
- e) Identifying options for releasing capacity and redirecting resource to agreed priority areas**

We will report our findings during summer 2022, except for point b. which we will report on in spring 2022.

8. We will, with NRW and key stakeholders, identify marine 'strategic resource areas' by 2023 and provide guidance to signpost appropriate and inappropriate areas for development of different renewable energy technologies. Our marine planning, licensing and marine conservation policies will work together to provide a pathway for marine renewable developments.

9. While we pursue the devolution of the Crown Estate we will streamline the process for developing the Celtic Sea renewable energy projects including delegating offshore advisory powers from the Joint Nature Conservation Committee (JNCC) to NRW.

Finance

Recommendations

10. We will set up an expert group to explore ways of drawing down additional investment in renewable energy generation in Wales. We will prioritise local and community ownership to maximise local economic and social value.

11. We will seek to create an alliance with devolved Governments to ensure the UK Government's Contract for Difference (CfD) process evolves appropriately to: (a) reflect the primacy of supply chain development and (b) to achieve a coherent and balanced development pathway for early commercial and emerging technologies.

12. We will look at the options to support local and community renewable energy generation through Non-Domestic Rates.

13. A working group will be set up to review options for how procurement can support the acceleration of renewable energy generation in Wales to maximise local economic and social value to include but not limited to:

- a) Improve procurement policy to incorporate social value including exploring with commercial developers how they can best meet local need.**
- b) Options for utilising the buying power of the public sector in Wales to support reliable routes to market for community and public sector energy projects, including through long term Power Purchase Agreements.**
- c) How advice and support services can better assist community energy developers access market opportunities.**
- d) How to better engage the community energy sector in the Wales funding Programme.**
- e) How best practice can be disseminated including feeding into the Welsh Governments best practice group or the Procurement Centre for Excellence if established.**

Opportunities to scale up Community and Local Energy in Wales

Recommendations

14. We will scale up resources to support community and local renewable energy in Wales including:

- a) From the Welsh Government Energy Service with staff and financial support to ensure coverage for community owned heat, energy efficiency and transport project development (with continuation for renewable electricity) and support for shared**

ownership

- b) Action from government to encourage private developers to include options for shared local and community ownership including through tenders issued on public land.**
- c) Welsh Government funding to build additional capacity in community enterprises to help them start to scale their work and mentor smaller organisations, to create a larger, sustainable sector.**

15. We will ensure that community owned sector is involved and gains input into Ynni Cymru considering the following three options:

- a) The community energy sector has a stake in the publicly owned developer**
- b) WG invest in an existing community energy organisation to deliver this work e.g., YnNi Teg, Egni or a Coop of Energy Coops**
- c) WG invest in both the publicly owned energy developer and a community owned energy developer = two bodies with resource to develop projects.**

16. We will improve access to the public estate for the community energy sector via (a) community enterprises have rights to first proposal if not developed by a public body (b) structuring tendering processes to favour socially minded projects / community schemes.

17. We will finalise and publicise the guidance on shared ownership, including what meets the definition of 'shared ownership', and work closely with private developers to maximise impact. We will publish the guidance in spring 2022.

Opportunities to maximise Economic and social value in Wales

Recommendations

18. We will work with the UK Government to bring new investment to ports in Wales. We will work with ports in Wales to identify opportunities for specialisation and collaboration, and to make

Welsh ports investment ready. We call on The Crown Estate and UK Government to maximise the value of supply chain and infrastructure development opportunities in Wales from their leasing rounds.

19. As we develop a net zero skills action plan by spring 2022 we will support greater industry collaboration to maximise supply chain opportunities in Wales.

20. Working with industry, we will scope a programme of work to maximise the installation of renewables, flexibility and storage on business and industrial sites. The programme will explore mechanisms to support and de-risk investment.

Innovation

Recommendation

21. We will call on Ofgem to develop a Welsh regulatory derogation to enable energy business model innovation in support of the wider recommendations of the Renewable Energy Deep Dive. The objectives of the derogation should include:

- a) Accelerate the scale-up of renewable energy in Wales**
- b) Enable energy business model innovation**
- c) Realise the benefits and wider co-benefits of renewable energy (from a Welsh and energy systems perspective)**
- d) Unlock energy system value, such as that from demand flexibility customers and consumers peer to peer trading and local electricity supply**
- e) Better engage and protect the interests of Welsh citizens.**