



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Cynaliadwyedd
The Sustainability Committee**

**Dydd Mercher, 18 Mehefin 2008
Wednesday, 18 June 2008**

Cynnwys
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Cyhoeddus
Inquiry into Carbon Reduction: Evidence Session on Industry and Public Bodies

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Lorraine Barrett	Llafur Labour
Alun Davies	Llafur Labour
Michael German	Democratiaid Rhyddfrydol Cymru (Cadeirydd Dros Dro y Pwyllgor) Welsh Liberal Democrats (Temporary Committee Chair)
Lesley Griffiths	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Darren Millar	Ceidwadwyr Cymreig Welsh Conservatives
Brynle Williams	Ceidwadwyr Cymreig Welsh Conservatives
Leanne Wood	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Claire Bennett	Pennaeth yr Is-adran Newid yn yr Hinsawdd a Dŵr Head of Climate Change and Water Division
Tom Bourne	Adran yr Economi a Thrafnidiaeth Department for Economy and Transport
Ieuan Wyn Jones AC/AM	Dirprwy Brif Weinidog Cymru a'r Gweinidog dros yr Economi a Thrafnidiaeth Deputy First Minister and Minister for Economy and Transport
Basil Tucker	Aelod o'r Consortiwm Bagiau Plastig a Rheolwr Gyfarwyddwr Cardinal Packaging Ltd, Glynebwy Member of the Carrier Bag Consortium and Managing Director of Cardinal Packaging Ltd, Ebbw Vale
James Tucker	Aelod o'r Consortiwm Bagiau Plastig a Chyfarwyddwr Cardinal Packaging Ltd, Glynebwy Member of the Carrier Bag Consortium and Director of Cardinal Packaging Ltd, Ebbw Vale
Peter Woodall	Pennaeth Cyfathrebu y Consortiwm Bagiau Plastig a'r Gymdeithas Pecynnu a Ffilm Head of Communications for Carrier Bag Consortium and Packaging and Films Association

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Joanne Clinton	Dirprwy Glerc Deputy Clerk
Dr Virginia Hawkins	Clerc Clerk

Dechreuodd y cyfarfod am 9.04 a.m.
The meeting began at 9.04 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Michael German:** Good morning, everyone, and welcome to the meeting. Today, we will be discussing the petition calling for a ban on plastic bags and taking evidence on industry and public bodies as part of our carbon reduction inquiry.

[2] I have received an apology from Karen Sinclair. I have sent her the committee's best wishes and we hope that she makes a speedy recovery.

[3] There is a possibility that HMS Gloucester, which is moored nearby, might be firing small arms this morning. If you hear small arms fire, this is only a practice manoeuvre, I am told; it will not be a real emergency. We do not know when it will occur, but it could be some time during the course of the meeting.

[4] The normal domestic arrangements apply today. If a fire alarm sounds, it will not be a drill and so you are asked to follow the instructions of the ushers and staff. Please ensure that all your mobile phones, pagers and so on, except for wireless-enabled laptop computers, are switched off as they interfere with the broadcasting equipment. For the benefit of those who are unfamiliar with the headsets, they can be used to listen to the translation and to amplify the sound. Use channel 0 to amplify the sound and channel 1 to listen to the translation. You do not have to touch any buttons on the microphones as they work automatically.

[5] I have several announcements on domestic arrangements to make to Members at the end of the meeting as well. We have also received the apologies of Mick Bates, of course, for whom I am substituting. I should have said that at the beginning.

9.06 a.m.

Trafod Deiseb P-03-063 sy'n Galw am Wahardd Bagiau Plastig Consideration of Petition P-03-063 Calling for a Ban on Plastic Bags

[6] **Michael German:** I welcome Peter Woodall, the head of communications for the Carrier Bag Consortium and the Packaging and Films Association, and James Tucker, who is also a Carrier Bag Consortium member and the director of Cardinal Packaging Ltd, Ebbw Vale. I ask you to briefly introduce your paper, and then I will invite Members to question you about it and the general issues raised. We have just under an hour to have this discussion.

[7] **Mr Woodall:** I thank you for your invitation to come here today. It is unusual for industry to be invited to give evidence, particularly when it appears to be the villain of the piece. I am very grateful to the committee for sparing us the time.

[8] I will introduce CBC first, which is part of the Packaging and Films Association. We are a not-for-profit association that represents industry in the UK. Our members are manufacturers of a wide range of flexible and plastic packaging—the kind of thing that you use every day that exists for the protection and preservation of consumer goods. I want to paint a wider picture of those products, because although carrier bags are the main issue today, these manufacturers also manufacture crop-protection film, pallet-wrapping film, damp-proof membrane for all the buildings that are built in the UK today, medical and pharmaceutical packaging, including blood bags, food packaging, and protection for many other consumer goods. This industry is well invested, generating £2 billion of income for the United Kingdom alone, and our association represents 80 per cent of those manufacturers.

[9] We are also passionately involved in caring about the environment. It goes without

saying, but all of our members comply willingly and in good spirit with all regulation and legislation on environmental protection. In Wales, our members have five manufacturing sites. These are specifically involved in manufacturing, converting or recycling plastic bags, sacks and film sheet. In addition, there is a well established supply chain industry of distributors and wholesalers, all of whom employ people from Wales.

[10] We serve local authorities, as we are the main provider of waste sacks for local authority waste collection, for example. We are the main provider of waste sacks and clinical disposal sacks for hospitals and clinics across Wales. We provide waste management companies with waste sacks and the polythene liners that every modern landfill site must have to ensure that the environment around it is protected and that there is no leaching of toxic material. We also provide damp-proof membrane and aggregate sacks, fresh produce bags, food packaging and, of course, the demon carrier bag.

[11] On plastic bags, we are acutely aware that, whatever I say today, people will think, 'They would say that, would they not?'. So, we have taken particular care, with regard to this petition, to ensure that all of our evidence has been endorsed, researched and sourced by a third party, so it is not a case of 'Well, we would say that'. We are repeating established information.

9.10 a.m.

[12] It is important to state that we are aware of the widespread and growing public concern in Wales and elsewhere about issues of waste, litter and damage to the natural environment. However, we believe that all the evidence shows that taking punitive action against the plastic carrier bag, whether by setting taxes or enforcing a ban through legislation or regulation, will create extra waste and greater environmental damage. That was the conclusion of the Scottish Parliament's Environment and Rural Development Committee following a two-year inquiry, which spent £2 million of taxpayers' money, between 2005 and 2007. My colleagues and I gave evidence to that committee, and we were thankful for the opportunity to do so. That was the unanimous conclusion of the committee, which included Members of the Green Party. Whatever the media say, the science rather than the spin proves that, across its life cycle, the humble plastic carrier bag—if reduced, reused and recycled—is the best environmental choice. I also wish to point the committee towards the work of the Cabinet Office's waste strategy unit in 2002 and the Scottish Parliament's final recommendations, which I have just mentioned.

[13] We are concerned that the Welsh taxpayer is also likely to pay the cost of a vast amount of work and research that we believe will ultimately reach the same conclusion. We are also concerned that, in the meantime, our members' businesses and jobs are being seriously jeopardised. For example, James said to me just a few minutes ago that, within the past few days, 45 of the 100 workers employed at his factory have been laid off because the media reporting on the work on this—this petition—has led to a massive increase in orders for paper carrier bags as a direct substitute for plastic bags. All the evidence shows that paper is more environmentally damaging, because of the energy used in its manufacturing, its transportation, because of its volume, its weight, and the exhaust emissions from transporting it across the world—it does not come from this country. All the evidence shows that paper does not and cannot have the durability of plastic and cannot be recycled in the way that plastic is recycled. Despite the fact that we have very well established paper collection schemes, paper carrier bags are not collected and recycled. If it is raining, as it is this morning, paper carrier bags are next to useless. Most importantly, when paper carrier bags are confined to landfill, which they eventually surely will be, they will emit greenhouse gases, such as carbon dioxide and methane; plastic will never do that, as it will crumble to a fine particulate matter eventually, and will never emit toxins, poisons or greenhouse gases.

[14] **Michael German:** Thank you. Members will now ask you questions. I also wish to welcome Mr Basil Tucker from Cardinal Packaging Ltd in Ebbw Vale. Brynle Williams will ask the first question.

[15] **Brynle Williams:** Good morning, and thank you for coming here this morning. What is the significance of carrier bags to the wider waste debate, do you believe?

[16] **Mr Woodall:** The evidence shows that all the plastic bags in landfill—including waste sacks, which are designed to go to landfill, in a sense, because they contain putrescible or malodorous waste—represent only 0.03 per cent of the total volume of waste in landfill. That is a very small amount, but it is important to say that we do not regard that as being good enough. We have taken steps and we are a party, as are the Welsh, Scottish and English Ministers for the environment, to a voluntary code of reducing plastic carrier bag use. We are a year and a half into that two-year code; it is working and we are reducing plastic carrier bag use. I cannot think of any other material or consumer product that is recycled as much or that has as small an impact on waste management as the plastic carrier bag, and yet it is the villain of the piece.

[17] **Brynle Williams:** How many jobs in Wales do you believe could be put at risk if there were a ban or a levy on carrier bags?

[18] **Mr Woodall:** It is awfully difficult to estimate. As I said, we have five member sites and so we are looking immediately at more than 1,000 direct employees, and I would suggest that there are probably two or three times that amount of employees across the supply chain. It is very difficult to estimate, because we do not have access to figures. It is an estimate. We did a similar estimate for Scotland.

[19] **Darren Millar:** You said that the sites in Wales do not just manufacture plastic bags. I understand that the majority of the supermarket-type plastic bags that most people will be familiar with are not manufactured in Wales.

[20] **Mr Woodall:** Absolutely.

[21] **Darren Millar:** The sorts of carrier bags that your members might produce are the thicker bags that have a much longer life, if you see what I mean, as they can be reused over and over again. They are the types that high-end boutiques might use where a charge of 10p for the bag would certainly not put someone off buying it and paying that tax if they were buying £300-worth of clothes or whatever. Why do you say that there are 1,000 jobs at risk? I appreciate that you have a big manufacturer present with you today, but surely not all of those jobs relate to these plastic bags.

[22] **Mr Woodall:** I think that the answer is in the testimony that we are giving. You are absolutely right that 90 per cent plus of the lightweight carrier bags, made of high-density polyethylene, are now sourced from the Pacific rim countries, particularly China and Malaysia. They are sourced from those countries because there is great investment over there, and there is not the health and safety regime that we have in the UK, and so there is not an issue with labour costs. It would be very easy for the Packaging and Films Association to concede the battle against plastic bags because the vast bulk of members, those below the tip of the iceberg, make other products, but I am here because we believe that plastic per se is being demonised. If we concede that the plastic bag, as such, is an environmental threat, we concede that all plastic is a threat, including the television monitors in this room, the pens that we are writing with, the computer monitors that we use, and all the other things that we use everyday, such as our toothbrushes and so on. We would be conceding that they are evil in the sense of environmental damage, when that is not the case.

[23] **Darren Millar:** With respect, Peter, you are at risk of jeopardising your evidence. One minute you are saying that 1,000 jobs are at risk and the next, you say that the jobs here in Wales are not necessarily dependent on the plastic bag trade. What we want is the balanced view, the realistic view. How many jobs are likely to be lost in Wales, if any, as a result of a levy or a ban on plastic carrier bags?

[24] **Mr Woodall:** Our industry's realistic view is that those jobs will be lost, because they are interdependent. Investment relies on the production of waste sacks. This man's company has some of the most sophisticated recycling facilities in existence, but if his business in carrier bags is lost, he will not be able to invest in recycling. The whole essence of good waste management and good environmental practice is for industry to be able to provide all of those things.

[25] **Darren Millar:** You are still not giving me an answer. How many jobs of the 1,000 in Wales in this packaging industry are likely to be lost?

[26] **Mr B. Tucker:** At least another 55 in Ebbw Vale are likely to be lost, as a starting point, and you can build on that. One thing that we are talking about is the supermarket carrier bag, which is an efficient carrier bag and is made offshore. Over the last three to four months, we have laid off 45 people as a direct result of that. Now, no-one wants to buy plastic carrier bags. We are choked out with supplying paper carrier bags; we are flat out doing that. I am quite a vociferous friend of the earth, but I know that paper is far more injurious to the environment than the humble carrier bag. We have seen a total slump in orders. We know that, like the tide, it comes and goes, but it is having a real effect. It started with the hate campaign in the *Daily Mail* about three months ago. As a result of that, everyone wanted to switch to paper. Fortunately, we make paper, otherwise we would have closed by now.

9.20 a.m.

[27] **Brynle Williams:** I am curious; you touched upon the health and safety aspect of production offshore, as you put it. What is the situation? If we were to continue with paper bags, how much would we lose in recycling paper? When it is first recycled, you lose a percentage, and so on.

[28] **Mr B. Tucker:** I can answer that; I think that I know where you are coming from. Plastic is 100 per cent recyclable. We have all of the machines necessary to recycle it. With paper, the figure is nil, as no-one wants it. We cannot sell it; we have to pay for it to be taken away to be destroyed by whichever means.

[29] **Brynle Williams:** Some of the concerns of the general public may relate to the offshore production; that is, of exporting our plastic waste to other countries that are not working under the same confines as us. Have we sufficient onshore production capacity were the regime to change?

[30] **Mr B. Tucker:** No.

[31] **Mr Woodall:** It is important to remember that, unlike newspaper, which is relatively easy and simple to recycle, most paper carrier bags have a plastic laminate on the outer or inner surface to protect them from inclement weather. We also have to take into account that many paper carrier bags, particularly fashion bags, have rope handles or waxed handles. They are a complex device—far more complex than a conventional plastic carrier bag. As an industry, we recycle 300,000 tonnes of plastic film every year in this country, which is mostly collected from the back of supermarkets—pallet wrapping and such material. It is important that the committee understands that plastic is 100 per cent recyclable, and is also recyclable for ever; it does not degenerate in the way that paper does. If you keep recycling paper, it will

lose its integrity, but plastic is recyclable for ever. We can, and do, make long-life products from plastic, such as street furniture, park benches, weather-proof walkways and so on. Since we started our voluntary code, the number of retailers in the UK collecting plastic bags for recycling has doubled from 1,500 to 3,000. So, we now have 3,000 collection points—and the figure is rising exponentially—to collect plastic bags, to get them back, to chop them into flake, to wash them, to melt them down, and to create long-life products from them. We are moving there as an industry very positively.

[32] **Lorraine Barrett:** In our house, we use plastic bags to put out the recycling, but, as we have been resisting and refusing more plastic bags at the checkout, we have been buying more of the white bin liners, which work better. If plastic bags were to be banned from supermarkets, would more people buy bin liners and would there be more of a market for them in order to put out recycling?

[33] **Mr Woodall:** Yes, but the environment will not benefit. We have measured the customs and excise figures for the importation of polyethylene sacks and bags into the Republic of Ireland between 2002 and 2007, and exactly that happened. People, when deprived of the use of the free giveaway lightweight plastic carrier bag, had to buy bags for waste disposal. Department for Environment, Food and Rural Affairs research shows that between 74 and 80 per cent of households reuse them for that purpose alone, so they are at least reused once, in four out of five households. In Ireland, we wanted to measure the effect that that might have had, because, as we know, the tax imposed in the Republic of Ireland reduced by more than 90 per cent the use of plastic bags in retail shopping outlets. However, one manufacturer said, for example, that his sales of bin liners had increased by 500 per cent; he happened to be a bin liner manufacturer. The amount of plastic used in Ireland has increased rather than decreased as a result of the bag tax. This is because bin bags tend to be what we call heavier gauge—there is more plastic in them, they are tougher and bigger than the lightweight thing. I use them all the time for that purpose. In fact, my local authority, which went over to fortnightly collections, said, ‘Please put your rubbish in a plastic bag and seal it’. It is so easy to tie the handles and pop it in the wheelie bin. As Ben Bradshaw, the then Minister for the environment, said about 18 months ago, it is the unintended consequences of action against plastic retail bags that we must take into account.

[34] **Michael German:** We will be able to test that situation in Ireland when we take evidence on this matter.

[35] **Alun Davies:** I return, Mr Tucker, to a point you made earlier on the issue of jobs. You said that 45 jobs had been lost at your business and you quoted a *Daily Mail* campaign and said that no-one wants to buy plastic bags. Is it not the case that plastic bags are a utilitarian product that we buy when we have to buy them, either as bin liners or to take our groceries home from the supermarket? It is not a purchase of choice, if you like. Therefore, would it not be fair to say that the 45 job losses are as much a result of the overall economic situation as anything else, because there is no formal ban or levy in place, as far as I know, in the United Kingdom?

[36] **Mr B. Tucker:** I can calm your fears on that. It is a direct result of that. We are a good barometer—perhaps the only barometer in the UK—of this, because we produce for over 1,000 separate contracts a month. We supply all types of boutiques and industries—we even supply the Assembly, believe it or not; we can supply carrier bags for your shows, various promotions and things like that. However, because of all the bad publicity that the humble carrier bag, as I call it, has received, every shopping bag and boutique bag—everything in plastic—was classed as one and the same. There is a move by shopkeepers, people like you, solicitors, accountants and all the different organisations that use carrier bags, to become what they perceive as greener. To that extent, they are advocating the use of paper carrier bags, as opposed to plastic carrier bags. It will be the same amount in figures,

apart from normal cyclical differences that we get throughout the year, depending on the state of trade. The like-for-like sales per unit are the same, except that the 'like' has changed from plastic to paper.

[37] **Alun Davies:** Did you say that you produce paper bags as well?

[38] **Mr B. Tucker:** We produce paper bags, but it is far more efficient and cost-effective to use plastic as opposed to paper. Paper is very expensive for all sorts of reasons, such as transportation; Peter touched on that a bit earlier. I think that there is a ratio of something like 10:1. A good example is that we export locally into Europe and Ireland. We were well aware of what would happen in 2002, when the ban came in. A shopkeeper over there, who has a few shops, ordered about 100,000 carrier bags a year from us, but he said, 'We cannot have those any more, because there is a tax on them; no-one wants them and no-one will pay for them—I have to have paper'. We said, 'Fine; we will do you 100,000 paper bags'.

9.30 a.m.

[39] When we delivered those, he was on the phone screaming at me, saying, 'What are you doing to me? You have delivered a whole lorry load—20 pallets—as opposed to the normal two pallets that I usually have. Where am I going to put them?'. I did not have the answer to that. Therefore, we had to turn it back, and the lorries were going back and forth like a shuttlecock, which was not good for the Irish environment. That is one of the first occasions when I stubbed my toe on this problem—it was that realisation. It was 20 pallets as opposed to two, so a 10:1 ratio.

[40] **Alun Davies:** So, what you are saying is that behavioural change is driving the future of your business at the moment.

[41] **Mr B. Tucker:** I believe that it is perception. The media did an excellent job—I hate to say it, but it probably did far better than the politicians—of frightening people and getting across an incorrect message. Suddenly, people drew back in fear and said, 'We had better not do that; we want our customers, or clients, or whoever, to realise that we are environmentally friendly. We do not want to use this hated product, which is killing 100,000 mammals a year worldwide'. That was one of the stupid claims that were made; we know that they were false, but they made them anyway, and they got away with it. As a result of that, the sentiment has been to move from plastic to paper. However, given the problems that we have enumerated in our paper—and people are already hitting those problems—it will slide back. For instance, my son, James, visited a customer—again, a Welsh customer—who used about 0.5 million carrier bags a year, and he was saying, 'We have had a serious look at this'. He is based in Ross-on-Wye; I believe that that is within the Welsh boundary—

[42] **Michael German:** It is in Herefordshire.

[43] **Mr B. Tucker:** They speak with Welsh accents. [*Laughter.*] What a mistake to make.

[44] Anyway, they looked at it, and tried it, and what they want is a recycled plastic carrier bag. We can accommodate all that—that is not a problem, because we can recycle this stuff over and over again. Every carrier bag that we produce has a variable percentage of recycle in it, up to 100 per cent. If you want 100 per cent, we can give you that, and do a good job of it. There is no difference in the strength or anything; Peter is right, none of the good properties of plastic is lost.

[45] **Alun Ffred Jones:** I believe that we should rename the supplier, so that they can quote on their van, the 'humble plastic bag'. [*Laughter.*] I like that phrase.

[46] I wish to press you on recycling. Obviously, the plastic bag is reusable—many times over. However, on recycling, local authorities have told me that they cannot give plastic bags away—no-one will take them, even if you pay them. You have just said that you can recycle them. Can you explain what you mean by recycling, and can you assure us that every plastic bag is recyclable?

[47] **Mr B. Tucker:** Absolutely. Recycling plastic carrier bags is easy. You just put them on a conveyor, and they go into a big cauldron where there are a lot of knives flashing around; apparently, the one that we have allows us to process 1,100 kg of them an hour. The bag reduces to a small crumb, then the process used is friction; it heats up the crumb, then pushes it through an Archimedes screw, for want of a better description, although the technology in the screw is far in advance of the simple Archimedes screw. This then breaks it down, back into its molten state, which is only just 200 degrees Celsius, unlike glass or steel, which is 1,700 degrees Celsius. So, it is a low-energy user transformation. It comes out like spaghetti. As it comes through the grid, a rotating knife chops it into little pellets. Those pellets are then ready for remanufacture. Quite often, they go back in to be made into film within the hour.

[48] **Mr Woodall:** The issue is not so much that we cannot get rid of it or find someone to take it; it is more to do with the fact that the waste collection infrastructure for plastics is way behind that for other materials. This is partly to do with the responsibility placed by Government on local authorities to collect. If you look at what we have achieved directly with the retailers, it has been a massive recycling effort. So, it would be a great solution to enable local authorities to start collecting plastic, and plastic bags in particular. The problem is that the measurement of performance of waste collection is based on weight. The beauty of plastic is that it is light. Local authorities do not want to collect it. They will collect bottles, but because the performance criteria for waste collection are based on weight, there is no infrastructure. So, we have almost a conflict because the infrastructure is not there because there is no collection, and there is no collection because the system does not drive the need for collection. However, it is an eminently suitable material for recycling.

[49] **Alun Ffred Jones:** Taking that point as being true, I will press you further. Are there enough recycling stations or producers to deal with this? I come from north Wales; I am not sure what the situation is there. Do you collect from local authorities or from any other source?

[50] **Mr B. Tucker:** Not from local authorities, but we buy from a number of outlets where it has been collected together. We do not go around on a milk round in reverse to collect this, but we buy in the scrap.

[51] **Alun Ffred Jones:** Are there problems with mixing plastic? Plastic bags may be recyclable, but there are other types of wrapping that you cannot do anything with. Is it true that you cannot mix them?

[52] **Mr B. Tucker:** We can mix any film, but polystyrenes and so on give us a problem. However, there are people in the UK who can deal with that because their operations are more sophisticated than ours. We specialise in film recycling.

[53] **Mr Woodall:** This also highlights another big issue that we face. It is driven by this green movement towards what we believe intuitively are better environmental solutions, such as biodegradable, oxodegradable, photodegradable—who understands what these things are? We are now faced with the fact that a number of retailers are striving under this pressure to change the composition of their bags to include more recycled content; some contain corn starch polymer or are fossil fuel-based; some contain other additives; some are called degradable, but simply contain chalk to break up the plastic into tiny pieces—it does not alter the fact that it is a plastic bag, but it is called a degradable bag. When this gets into the

recycling system, it can cause a total disaster, because the melting point is the really important issue. When we have contaminants such as chalk in large quantities in the recycling process, the whole system is wrecked. It is far better to have conventional plastic, take it back, and reduce, reuse and recycle than it is to go for all of these options that do not work.

[54] **Michael German:** Brynle wants to come in on the same point, and we will then come back to Alun for his next question.

[55] **Brynle Williams:** I am curious about your response to Alun with regard to recycling. In the agriculture industry, we have been compelled to recycle plastic, and yet you say that you can find no-one to pick up plastic in any volume. I appreciate the issue with regard to volume as opposed to weight.

9.40 a.m.

[56] I know that we must comply with agricultural law, but can we not do something similar, not for the consumer, but in collecting it?

[57] **Mr B. Tucker:** For agriculture?

[58] **Brynle Williams:** No, as Alun was saying just now, there is the same problem in north Wales. It is about trying to get someone to collect this product. Why is it that your industry is not responding to collecting or setting up a collection service?

[59] **Mr Woodall:** I would answer that by saying that we have to take into account the fact that our industry is a manufacturing industry. The whole structure of the supply and distribution chain means that, between the user and the manufacturer or recycler, there must be a waste management company. That company is usually responsible for collection, sorting and taking the material—whether it is glass, paper or plastic—to a manufacturing recycler. As an industry we do not have the resources, investment or capability to carry out full-scale collection at the consumer, domestic, or local authority end.

[60] However, a few years ago, across the UK, we instigated a farm films collection scheme, which in its first year collected 10,000 tonnes of agricultural film that went straight into recycling. We financed that by putting a levy on all plastic films sold to farmers—so they paid a penny, or whatever it was, per tonne towards that scheme. That was backed by the Department of Trade and Industry as a legitimate scheme. Unfortunately, foreign importers decided that they could sell at a penny less per tonne and completely wrecked the scheme by underselling the UK producers. So, the scheme collapsed.

[61] As an industry, we would welcome working with waste management companies and local authorities to ensure that we have a collection infrastructure for consumer polythene film, so that we can take it to a resource such as Basil's and recycle it. Wales would be a great place to pilot such a scheme—even a small pilot would be useful, to prove the logistics and economics of it.

[62] **Michael German:** Alun, do you want to come in?

[63] **Alun Ffred Jones:** Are we moving on to Ireland yet?

[64] **Michael German:** We have not quite reached that point.

[65] **Alun Ffred Jones:** Please carry on, then.

[66] **Michael German:** In that case, I turn to Lesley.

[67] **Lesley Griffiths:** In your evidence paper, you say that banning plastic shopping bags would not reduce litter in Wales. What evidence do you have from other areas to support such a statement?

[68] **Mr Woodall:** First of all, the Encams studies show that plastic bags of all kinds amount to a very small percentage of litter. By 'of all kinds', I mean confectionery wrappers, crisp bags and that kind of thing; they are all counted as plastic bags by Encams, or the Keep Britain Tidy group, as it used to be called. A survey of 22,790 items across 30 mixed sites showed that the number of carrier bags—and this is the best evidence that we have related to carrier bags specifically—among those 22,790 items was 37, across 30 sites. That equates to 0.162 per cent of litter. We believe that we are therefore justified in saying that—although they are high visibility, because they are lightweight and therefore catch in hedgerows and trees—in fact, the litter problem will not be resolved by banning or taxing plastic shopping carrier bags. It will be resolved, we believe, by using the full force of regulation to change people's irresponsible attitudes to littering. That is what we believe is important—education, information, changing the culture, and stopping people from littering.

[69] **Michael German:** Alun is next, and then Darren, on this point.

[70] **Alun Davies:** I appreciate those points, and I have seen the Encams survey. Is it not fair to say that this is a contested area? The Encams survey covered 30 sites, so it was quite a small survey in many ways. We have seen research from the Keep Wales Tidy campaign, based on a segregation study funded by the Welsh Assembly Government, which indicates that the carrier bag element of litter comprises something like 2.7 per cent of litter in Wales.

[71] **Mr Woodall:** I would like to see that information, because everything that I have seen gives the maximum level at less than 1 per cent. This will depend on the site of measurement—for example, close to landfill sites, where wind conditions, exposure and remoteness means that lightweight material is blown away from the site, the proportion will be high.

[72] For my part, when I go shopping, I take the shopping home, I get it to the kitchen, put it on the worktop and take the shopping out and then do something with the carrier bag; I do not litter it in the street. All of the evidence that I have seen consistently shows that less than 1 per cent, probably nearer 0.3 per cent—a third of 1 per cent—of all visible litter is a plastic supermarket or other shopping carrier bag.

[73] **Mr B. Tucker:** This is borne out by the fact that littering is behavioural. Most litter comes from discarded cigarette packets and things like that, whereas a carrier bag is a vehicle to get your food or garment or whatever it is from the store to the safety of your home. It usually becomes unwanted when it is inside your home, so it is better controlled than many things, such as packaging for snacks and cigarettes—I am a non-smoker, so I will knock them. I was going to say that we should ban alfresco smoking as well, but I will not go down that route.

[74] **Michael German:** That will be the subject of our next inquiry. [*Laughter.*]

[75] **Mr B. Tucker:** I will come to your side then. You could describe it as opportunistic littering. Someone has used the article that the packaging contained, they do not want to carry the packaging, so they dispose of it, and the easiest way to do that is to drop it on the floor. We do not get that with a carrier bag, by and large, except on the rare occasion when someone uses a carrier bag a second time to carry something to a picnic or something like that, and once they have eaten the sandwiches or used whatever was in it, they may not discard a carrier bag responsibly.

[76] **Michael German:** I am anxious to get on, because I wish to bring in Darren and Leanne, and then we will move on with Lorraine.

[77] **Darren Millar:** On this point about the litter argument, the big problem is that plastic bag litter is probably the most visible type of litter. I appreciate that you say that it may be only a small percentage of overall litter, certainly in weight, but is the fact that it is strewn over hedgerows across Wales and flapping about in trees not a good reason to tackle the humble demon plastic bags, to use your adjectives? Is that not a good reason? All the evidence shows that there are links between grime and crime, and that the more litter that people see about, the more likely they are to drop litter, and that highly visible plastic bag litter is a catalyst for people to drop other kinds of litter. You are saying that it might be less than 1 per cent, but it could be up to 3 per cent according to other surveys. However, that 1 per cent or 3 per cent, whatever it may be, may cause 80 per cent of the rest of the litter. I do not know what research there has been in that area—

[78] **Mr B. Tucker:** I am passionate about what I am manufacturing and I am trying to be as responsible as I can so I am probably far more observant than most of what is around the countryside—I love the countryside, I walk and visit there a lot. Much of the litter that we could be getting the blame for may not be carrier bags, but other forms of films or discarded refuse that get blown by the wind onto barbed-wire fences. They look like carrier bags, but they may not be carrier bags.

[79] **Mr Woodall:** I would also say that I have never met anyone who enjoys the fact that there is litter on the streets or in the hedgerows, but if banning plastic carrier bags in Wales leads, as we believe that it surely will, to substitution by heavier weight alternatives with a greater predisposition to produce greenhouse gases, put more waste in landfill and more lorries on the road, shifting 10 times the carrier bags around—and a lot of double bagging occurs with paper because of its weakness, so two bags are used for a bottle or two of wine—the important issue is the environment per se rather than the littered environment. Therefore, we believe that tackling the social issue of littering is the way forward.

[80] **Michael German:** I want to talk about the situation in Ireland, but before we do that, we have questions on chemicals that Lorraine wants to ask you.

9.50 a.m.

[81] **Lorraine Barrett:** I want your clarification on the issue of ethylene and naphtha. You say that plastic bags do not waste oil because they are derived mainly from naphtha and ethylene. These substances have a whole range of uses, such as for damp-proof membranes, medical materials, food coverings and waste sacks—it is a £2 billion industry—so what percentage is used for plastic carrier bags? If we did not have the humble plastic carrier bag, naphtha and ethylene would be used for a much bigger percentage of other products, would they not?

[82] **Mr Woodall:** They would have to be flared off. That is the issue.

[83] **Lorraine Barrett:** Is there not a big market for them other than for plastic bags?

[84] **Mr Woodall:** Yes, there is. Ethylene, naphtha and, to an extent, propylene, which are by-products of oil refining, can be, and are, used for a wide range of other plastic goods. The removal of plastic carrier bags would not affect oil consumption, whichever way one looks at it, because the by-products will be used anyway and because it makes good sense to use those waste products. It was 75 years ago last May that two chemists in Cheshire, quite by accident, discovered polythene, by, over a weekend, leaving two gasses under pressure and under heat.

They came back and found a sticky, white and waxy substance, which was polythene. I sometimes wonder whether if we invented that today we would think, ‘What a marvellous solution for all of this heavy material that we are using and burying’, but it was discovered 75 years ago and it is ubiquitous now. If, for example, we did not use it for polythene, polypropylene and for the other common polymers that we use, it would have to be flared off, which would only add to greenhouse gas emissions, because it is a by-product that we are using, discovered by accident by those two chemists.

[85] **Mr B. Tucker:** It is not competing for supply. Given the amount of oil that we are producing, there will always be a level of naphtha, ethylene and propylene that these elements come together to formulate. So, if we take away the demand for that, then they are going to flare it off. Should you walk past a refinery—although there are not that many around—you will see a huge flame going up into the air. I used to work for Shell, many years ago, back in my earlier days, and I was amazed, in every refinery that I went to, by that flame, and I always wondered about it. The explanation for it was, ‘We can’t use it or store it, so we have to burn it off’. That is what would happen with these by-products if we do not use them. We are not competing for the supply—the supply is driven by the need for energy worldwide.

[86] **Michael German:** I want to move on to Ireland. There are three sets of questions, from Darren, Alun Ffred and Leanne.

[87] **Darren Millar** You keep talking about people moving to using paper bags as an alternative to the plastic bag. A large proportion of your submission is based on this assumption, because you have looked at the evidence that was given to the committees in Scotland, and you say that that was their assumption, but, in practice, when you look at what is happening in Ireland, there has not been a huge switch to paper bags. According to other information that has been made available to us, about 90 per cent of shoppers have switched to using reusable or long-life bags, some of which may be plastic bags that they have paid the levy for and some of which are made from other materials. Of the remaining 10 per cent, 6 per cent have switched to cardboard boxes, 4 per cent still use some kind of plastic bag and 1 per cent have switched to other means, which, I suppose, may be paper bags. Are you not in danger here of trying to pick and choose your evidence to suit your case? Is that a fair accusation to make against you, because the evidence suggests that people are not switching to paper bags in the Republic of Ireland?

[88] **Mr Woodall:** Historically, we have real concerns about the information coming from the Republic of Ireland. The original premise for the introduction of the tax was that 5 per cent of all litter was plastic shopping bags. Subsequently—and years later—the Department of the Environment, Heritage and Local Government there has stated that what was meant was that 5 per cent of all plastic litter was plastic carrier bags.

[89] **Leanne Wood:** In weight?

[90] **Mr Woodall:** Yes, in weight. We are constantly concerned about the statistics used. I know that you have had or will pick up figures on the importation of sacks and bags into Ireland. We use Her Majesty’s Revenue and Customs figures inwards, and Ireland measures it from the other direction, and so the figures are different. The information that we have is that, in Ireland, there has been a large switch to paper and other alternatives, including cardboard boxes and so on. However, there has also been a significant increase in the use of pedal bin liners and refuse sacks. There has been a 77 per cent increase in sales of Tesco’s pedal bin liners and an 84 per cent increase in sales of nappy disposal sacks and so on.

[91] **Darren Millar:** With respect, what you are telling us is that the majority of people are going to switch directly from plastic to paper. That is the whole basis of your report—

[92] **Mr Woodall:** What I—

[93] **Darren Millar:** Wait a minute. That is the whole basis of the damage that has been caused to the environment—

[94] **Mr Woodall:** Basil has made redundancies within the past 10 days on that basis alone.

[95] **Mr B. Tucker:** I can tell you that, since 2002, when this was introduced, I have not sold a plastic carrier bag to Ireland, but the sales of paper carrier bags are now the same as the sales of plastic bags were before—in fact they are probably a bit higher. Therefore, someone has switched. Perhaps not everyone has—and you may have the advantage of better statistics than I have, because all I can go on is how my business is doing—but at one time we sold huge quantities of plastic carrier bags to Ireland, and we are now selling huge quantities of paper carrier bags. Therefore, people have switched.

[96] **Darren Millar:** In relation to volume, most plastic bags come from supermarkets. That is certainly the case in Wales, and it was exactly the same in Ireland. The fact of the matter is that the biggest retailers over there for plastic bags, including the supermarkets, such as the Musgrave Group, have not replaced plastic bags with paper bags. So, why are you making this link with regard to the switch from plastic to paper when the evidence from Ireland does not show that that is the case?

[97] **Mr Woodall:** The second biggest retailer of clothing in the UK is the Dublin-based Primark. Within the past few weeks, all of its branches have switched from plastic to paper bags, and the reason is the media publicity about plastic bags. Next gave evidence to the Department for Environment, Food and Rural Affairs at hearings some years ago that it used to ship one pallet of plastic bags per month to the Republic of Ireland and that it now ships one container of paper bags per week, I think—I can get you the statistics. That is the sort of ratio that we are talking about. All the evidence we see points to a switch to paper. It is not a surprise to me that the Republic of Ireland is also the home of one of the globe's largest public limited companies that also happens to be a paper company and a major paper recycler. It is not a surprise to me that it is the first and only country in the European Union that has taken steps to remove plastic bags from the market.

[98] **Darren Millar:** I have one final question on this issue. As a consortium, would you be supportive of a levy that perhaps extended to all disposable bags, including paper bags, rather than just plastic bags, in order to discourage the use of paper carrier bags too?

[99] **Mr Woodall:** We would prefer a voluntary approach, which should include all materials and treat all materials equally. We have serious concerns that any legislation or regulatory move against a single material, that is, plastics, would be anti-competitive under European competition law and, we believe, in contravention of European human rights legislation, as it restricts the freedom of choice of the shopper and the retailer over the method of taking goods home. So, the answer is 'yes', provided that it is a voluntary move, which is what we have at the moment and which is working. Some retailers have chosen to charge and reduce consumption in that way, some have chosen to hide bags under the counters, and others have chosen to use an increased recycled content, but the overall outcome is a reduced environmental impact reduction, which is what we all want to achieve.

[100] **Michael German:** I am going to reverse the order of Members asking questions now, so Leanne is next, because I think her question will be relevant to what you just said, and then Alun Ffred.

[101] **Leanne Wood:** You have just argued that a levy or tax would be in violation of UK

and European legislation. I believe that you also said that it would be in violation of human rights legislation—

[102] **Mr Woodall:** We believe that it could be.

10.00 a.m.

[103] **Leanne Wood:** You have also argued that it discriminates against people on low incomes and those with low mobility. Therefore, can you tell us whether the Irish plastic bag levy has been challenged in the courts?

[104] **Mr Woodall:** It has not been challenged because it passed into law before we were able to make a challenge. We were not consulted as an industry at any stage in the process.

[105] **Leanne Wood:** Surely, if you think that that is against the law, then Ireland must be acting against the law, so why have you not challenged that?

[106] **Mr Woodall:** We believe that that is the case. The CBC did not exist—that trade association did not exist in 2002. It was established as a direct result of that challenge. To be frank, we would not see it as a useful direction of hard-earned income, if you like, to mount a challenge against the Republic of Ireland. However, the UK would be a different situation.

[107] **Leanne Wood:** So, if Wales were to introduce a levy, you would challenge that, but you have not challenged Ireland?

[108] **Mr Woodall:** The European polymer industry would have to seriously consider that possibility.

[109] **Alun Ffred Jones:** I think that the issue of imports has been covered and we can test that in Ireland when we visit.

[110] **Michael German:** To conclude, I have a question about your assertion that poorer people will suffer as a result of a levy. Could you briefly give us the outline evidence to support that?

[111] **Mr Woodall:** That is simply based on the fact that a levy as a proportion of income would be higher for those on a lower income. It is also of concern to us that, although it is easy to forget, most of us drive to the supermarket and drive back again and load bags into our car boots, but a large number of people do not have that option. They have to get to the supermarket or the shops by other means. They need a lightweight, portable and free container to take shopping home in and they then use that as a bin liner. Some people, particularly on low incomes, would find it onerous to have to buy bags for bins. We could even envisage a situation where certain households would incur greater public hygiene risks simply because they did not have the ability to contain safely the waste that the household was creating.

[112] **Michael German:** I wanted to know what evidence you had for that, as opposed to your opinion. Obviously you have an opinion. We have an alternative opinion from Keep Wales Tidy, so I wanted to know what your evidence was. Do you have any hard evidence?

[113] **Mr Woodall:** No, I do not have any evidence.

[114] **Michael German:** That is fine. We have had a concentrated period of questioning and I am grateful for how you answered those questions. You have given us a lot of food for thought for how we will pursue this when we take evidence again in the Irish Republic. We

are also grateful for your time this morning and for presenting the evidence in the way that you did. We will continue to investigate this matter as we proceed.

10.04 a.m.

Ymchwiliad i Leihau Allyriadau Carbon: Sesiwn Dystiolaeth ar Ddiwydiant a Chyrff Cyhoeddus
Inquiry into Carbon Reduction: Evidence Session on Industry and Public Bodies

[115] **Michael German:** While we are waiting for the Deputy First Minister to arrive, I will point to some housekeeping matters for the committee. Professor Steve Martin, as part of a much wider research study with colleagues from the University of Edinburgh and the University College London on the constitution debate, is looking at how evidence is generated and used by committees in Scotland and in Wales. Steve Martin has requested to investigate this committee's processes in the Assembly as a case study. On your behalf, and I am sure that you do not mind, I have agreed to that and I am sure that Members will not mind if they are asked questions on how evidence is taken on board. There are a number of questions that he will want to ask and I am sure that Members will not mind being guinea pigs for that.

[116] **Lorraine Barrett:** Will that be held in public?

[117] **Michael German:** No, I do not think so. I think that it will be one-to-one conversations with people, questionnaires and studies of that sort. He is looking at the use of evidence in the audit, inspection and scrutiny of Government. That is part of a much wider study that includes the Governments in Scotland and London as well. It includes people from the university, where they have been doing this much wider Constitution Unit study.

[118] I see that the Deputy First Minister has arrived, but we are now missing some colleagues. I hope that you will not mind if we wait for them to return.

[119] **The Deputy First Minister and Minister for Economy and Transport (Ieuan Wyn Jones):** Not at all.

[120] **Michael German:** Right, let us move on.

[121] This is the concluding evidence session on the committee's work on carbon reduction in the industry and public bodies. We are pleased to welcome the Deputy First Minister and Minister for Economy and Transport here, who tells us that he is not only representing the fields of economy and transport this morning, but public bodies and local government as well. I know that Members have questions on those areas. We are also pleased to welcome Tom Bourne from the Department for Economy and Transport, and Claire Bennett from the climate change and water division, again. I will ask you first, Ieuan, if you would like to outline your paper and give us a general introduction before I call Members to ask you questions.

[122] **Y Dirprwy Brif Weinidog:** Diolch yn fawr, Gadeirydd. Y peth cyntaf i'w ddweud yw ei fod yn bleser cael ymddangos gerbron y pwyllgor hwn am yr eildro, oherwydd, dro yn ôl, bûm yn ymddangos gerbron y pwyllgor ar fater trafniadaeth ac, yn awr, yr ydym yn symud at ddiwydiant a'r economi a'r sector cyhoeddus.

The Deputy First Minister: Thank you very much, Chair. The first thing to say is that it is a pleasure to appear before this committee for the second time, because, a little while ago, I appeared before the committee to discuss a transport issue and now we are moving on to industry and the economy, as well as the public sector.

[123] Nid wyf am fynd drwy'r papur yn fanwl oherwydd yr wyf yn gobeithio eich bod wedi cael cyfle i ystyried y cynnwys, ond yr hyn sy'n dod yn amlwg yw bod byd busnes yn dod yn fwyfwy ymwybodol o effaith newid yn yr hinsawdd, ac mae busnesau yn fwy parod o lawer y dyddiau hyn i wynebu eu cyfrifoldebau. Wrth gwrs, maent hefyd yn sylweddoli erbyn hyn fod cyfleoedd busnes yn hyn o beth, oherwydd os ydych yn lleihau eich allyriadau, gall hynny ddod â nifer o fanteision i fyd busnes—gall leihau costau, yn enwedig os ydych yn llwyddo i dorri eich costau tanwydd ac ynni, gall olygu bod busnesau yn fwy cystadleuol o lawer, a gall agor y drws i farchnadoedd newydd.

I do not intend to go through the paper in detail, as I am hoping that you will have had an opportunity to consider the contents. However, it is becoming apparent that businesses are becoming increasingly aware of the impact of climate change and they are now much more willing to face up to their responsibilities. Of course, they also realise by now that there are business opportunities to be found here, because if you reduce your emissions, that can bring a number of other benefits to business—it can reduce costs, especially if you succeed in reducing your fuel and energy costs, it can mean that businesses are much more competitive, and it can open the door to new markets.

[124] Gall Llywodraeth y Cynulliad helpu i leihau allyriadau carbon diwydiant drwy bethau fel adfywio a datblygu economaidd, adfer tir diffaith, a chefnogi busnesau a'u gwneud yn fwy cystadleuol. Un mater sydd, i ryw raddau, yn gynamserol heddiw yw ein bod yn gobeithio cyhoeddi ein strategaeth ar gyfer swyddi gwyrdd erbyn mis Medi—a gwn fod y strategaeth wedi'i thrafod yn y pwyllgor hwn fwy nag unwaith o ran cwestiynau.

The Assembly Government can help to reduce industry carbon emissions through things like economic regeneration and development, land reclamation, and supporting businesses and making them more competitive. One issue that is, to some extent, premature today is that we hope to publish our green jobs strategy by September—and I know that that strategy has been discussed in this committee on more than one occasions in questions.

10.10 a.m.

[125] Nid wyf mewn sefyllfa i sôn am fanylion y strategaeth honno, ond gallaf sôn ychydig am yr egwyddorion sydd yn ei gweithredu. Yr ydym yn ceisio sicrhau bod yr economi yn gallu parhau i dyfu tra ydym yn ychwanegu at y cyfrifoldeb sydd gennym at yr amgylchedd. Nid wyf am fynd i fanylder am y cynlluniau penodol, ac efallai y gallwn adael hynny i'r cwestiynau.

I am not in a position to go into the details of that strategy, but I can talk a little about its underlying principles. We are trying to ensure that the economy can continue to grow while we add to our responsibilities towards the environment. I do not wish to go into the details of the specific schemes, and so perhaps we could leave that for the questions.

[126] Yn gyffredinol, mae cwmnïau a busnesau yn fwy ymwybodol o lawer o'u cyfrifoldeb erbyn hyn, ond rhaid i ni gydnabod bod y Llywodraeth, yn 'Cymru'n Un', wedi ymrwymo i leihau allyriadau carbon 3 y cant erbyn 2011 yn y meysydd a ddatganolwyd. Yr ydym wedi ymgymryd â'r sialens fawr yng Nghymru o safbwynt y diwydiannau trwm, a rhaid inni sylweddoli bod y gwaith y byddwn yn gorfod ei wneud ochr yn ochr â'r diwydiannau trwm yn rhoi tipyn mwy o her inni na'r gwaith gyda rhai o'r sectorau eraill.

In general, companies and businesses are now much more aware of their responsibility than they were, but we must acknowledge that the Government, in 'One Wales', has given a commitment to reduce carbon emissions by 3 per cent by 2011 in the devolved subject areas. We have accepted that considerable challenge in Wales in relation to heavy industries, and we must realise that the work that we must undertake alongside the heavy industries will pose much more of a challenge to us than our work with some of the other sectors.

[127] **Alun Ffred Jones:** Hoffwn ofyn cwestiwn cyffredinol i ddechrau. Yr ydych yn sôn am ostwng allyriadau 3 y cant. A yw'r Llywodraeth wedi penderfynu ai 3 y cant o'r allyriadau cyfansawdd dros Gymru gyfan yw hwnnw, neu ostyngiad o 3 y cant yn y defnydd y mae Cymru yn ei wneud o'r cynhyrchion hynny sy'n creu'r allyriadau, gan gofio bod eich adroddiad yn nodi'r ffaith bod Cymru yn cynhyrchu llawer o ddur a thrydan ac ati a ddefnyddir dros y ffin? Felly, a ydych yn gwahaniaethu rhwng y ddau swm hwnnw?

[128] **Y Dirprwy Brif Weinidog:** Na, nid wyf yn meddwl. Bu ichi sôn am rai o'r diwydiannau trwm, ond nid ydynt yn rhan o'r ffigur hwnnw o 3 y cant. Eglurwyd y sialens aruthrol o safbwynt y diwydiannau trwm sydd gennym yn y ddogfen, ac na fedrem gyrraedd y targed hwnnw gan ei fod yn darged afrealistig inni ei roi. Yr ydym wedi dweud yn y ddogfen y byddwn yn gweithio gyda'r cwmnïau hynny i geisio lleihau allyriadau. Mewn sectorau megis trafniadaeth, yr ydym yn sôn am yr allyriadau sydd yng Nghymru, a byddem yn gorfod gweithio gydag adrannau eraill o'r Llywodraeth i gytuno ar y llwybr sydd i'w ddilyn i gyrraedd y targedau hynny.

[129] **Alun Davies:** Diolch i'r Dirprwy Brif Weinidog am y cyflwyniad. Hoffwn ofyn ambell gwestiwn cyffredinol hefyd. Yn gyntaf, hoffwn ichi esbonio rywfaint yr ymagwedd yr ydych yn ei chymryd ar lefel bolisi a hyd yn oed ar lefel athronyddol. Yn eich papur, yr ydych yn trafod opsiynau polisi gwahanol, ond mae'r rhan fwyaf o'r papur yn trafod yr hyn a allai ddigwydd ar lefel y Deyrnas Unedig ac Ewrop. Sut ydych yn gweld eich rôl fel arweinydd, os mynnwch, i ddiwydiant yng Nghymru? Dywedodd Cydffederasiwn Diwydiant Prydain wrthym yn ei dystiolaeth nad oedd am weld unrhyw bolisiâu gwahanol yng Nghymru, oherwydd yr oedd yn pryderu y byddai polisiâu Cymreig yn cael effaith ar allu busnesau yng Nghymru i gystadlu gyda busnesau dros y byd.

[130] **Soniasoch** yn eich cyflwyniad am y strategaeth swyddi gwyrdd y byddwch yn ei lansio yn yr hydref. Er fy mod yn deall nad

Alun Ffred Jones: I would like to ask a more general question to begin with. You have just mentioned reducing emissions by 3 per cent. Has the Government decided whether that is 3 per cent of the combined emissions throughout Wales, or is it a reduction of 3 per cent in the use that Wales makes of the products that create those emissions, bearing in mind that your report identifies that Wales produces a lot of steel and electricity and so on that is used over the border? So, do you differentiate between those figures?

The Deputy First Minister: No, I do not think so. You just mentioned some of the heavy industries, but they are not part of that figure of 3 per cent. We explained in the document that there is a massive challenge in relation to some of our heavy industries, and that we could not reach that target because it was unrealistic. What we say in the document is that we will work with those companies to try to reduce emissions. In sectors such as transport, we are talking about the emissions from Wales, and we would have to work with other departments of the Government to agree on a direction of travel to take if we are to achieve those targets.

Alun Davies: I thank the Deputy First Minister for the presentation. I also wish to ask a few general questions. First, I would like you to explain somewhat the approach that you are taking on a policy level and even on a philosophical level as well. In your paper, you discuss different policy options, but most of the paper discusses what could happen at a United Kingdom and European level. How do you view your role as a leader, if you wish, for the industry in Wales? The Confederation of British Industry told us in its evidence that it did not want to see any different policies in Wales, because it was concerned that Welsh policies would have an impact on the ability of businesses in Wales to compete on a global scale.

You mentioned in your introduction the green jobs strategy that you will launch in the autumn. I understand that you cannot discuss

ydych yn gallu ei thrafod yn fanwl y bore yma, sut ydych yn ei gweld yn datblygu yn rhan o'ch polisi diwydiannol?

[131] **Y Dirprwy Brif Weinidog:** O ran y cwestiwn cyntaf, mae'r papur yn cyfeirio at reoliadau sy'n gyffredin wrth gwrs ar draws y Deyrnas Unedig. Mae nifer o'r rheiny hefyd yn rheoliadau sy'n ymwneud â'r Undeb Ewropeaidd. Rhaid inni gofio bod tair lefel yma: lefel yr Undeb Ewropeaidd, sydd wedi gosod rhai o'r rheoliadau; lefel y Deyrnas Unedig, sydd wedi gwneud rheoliadau ar gyfer y DU yn unig; ac wedi hynny, mae'r targedau penodol ar gyfer ein Llywodraeth ni. Yr ydym wedi gwneud y pwynt yn 'Cymru'n Un' ein bod yn sôn am dargedau yn y meysydd datganoledig, sef yr hyn y mae gennym gyfrifoldeb drosto. Mae ambell faes yr wyf wedi cyfeirio ato eisoes lle mae'r her yn fwy.

[132] Yr wyf wedi darllen ryw ychydig o'r dystiolaeth a gawsoch, ac mae'n ddiddorol gweld beth sydd gan bobl i'w ddweud am y targedau. Yr wyf yn derbyn bod y CBI yn dweud na ddylem gael rhai sy'n wahanol i weddill y Deyrnas Unedig, ond mae eraill yn dweud nad ydym yn mynd yn ddigon pell am nad yw 3 y cant yn ddigonol, ac eraill eto yn dweud efallai y bydd targed y Deyrnas Unedig oddeutu 3.5 y cant ar ryw bwynt yn eithaf buan. Felly, mae gennych dystiolaeth amrywiol am hyn.

[133] Derbyniaf fod y CBI fel corff yn gwneud ei bwynt ar ran sector o ddiwydiant, ond yr argraff yr wyf innau'n ei chael o siarad â chwmnïau yw eu bod yn ymwybodol iawn o'r angen i gyrraedd y targedau hyn. Maent yn gwybod, drwy weithio gyda'r Llywodraeth, y byddant yn gweld cyfleoedd busnes newydd ac yn gweld y gallant leihau eu costau. Er bod angen buddsoddiad cychwynnol er mwyn sicrhau lleihau'r defnydd o ynni a thrydan, mae'r lleihad yn y gost i'r cwmni yn yr hirdymor yn sylweddol. Gwelaif nifer o ddiwydiannau a chwmnïau sy'n ymwybodol o'r angen i wneud hyn, ond hefyd o'r mantais busnes a ddaw yn ei sgîl. Felly, yn bersonol, nid oes gennyf broblem gyda'r targed yr ydym wedi'i osod, er ei fod yn wahanol i'r hyn sydd wedi digwydd yng ngweddill y Deyrnas Unedig.

that in detail this morning, but how do you see that developing to be a part of your policy for industry?

The Deputy First Minister: In answer to your first question, the paper refers to regulations that are common across the United Kingdom. Many of those are also regulations relating to the European Union. We need to bear in mind that there are three levels here: the European Union level, which set some of the regulations; the United Kingdom level, which has passed regulations for the UK alone; and then the specific targets for our Government. We have made the point in the 'One Wales' document that we are setting targets only for the devolved areas, namely those areas for which we have responsibility. I have already mentioned a few areas in which the challenge will be greater.

I have read a bit of the evidence submitted to you, and I found it interesting to see what people had to say about the targets. I accept that the CBI says that we should not have different targets from the rest of the United Kingdom, but other people then say that we are not going far enough because 3 per cent is not ambitious enough, while others still maintain that the UK target may be around 3.5 per cent at some point in the not too distant future. So, you have varying evidence on that issue.

I accept that the CBI as an organisation is making its point on behalf of a sector of industry, but the impression that I get from speaking to companies is that they are keenly aware of the need to meet these targets. They know, from working with the Government, that they will see new business opportunities, and that they can reduce their costs. Despite the fact that initial investment is required to ensure a reduction in energy and electricity use, the long-term reduction in costs to a company is substantial. I see a number of industries and companies that are keenly aware not only of the need to do that, but of the business advantage to be gained from it. Personally, therefore, I do not have a problem with the target that has been set, despite its being different from what is happening in the rest of the United Kingdom.

[134] Yr oedd eich ail bwynt ynglŷn â'r strategaeth swyddi gwyrdd, a bydd hwnnw'n gyhoeddiad pwysig o ran y Llywodraeth, gan ei fod yn dangos yn eithaf clir nid yn unig fod hwn yn faes pwysig o safbwynt yr amgylchedd, ond hefyd fod cyfleoedd busnes sylweddol yn y maes hwn. Mae technoleg newydd a diddorol yn dod o'n prifysgolion ac yn cael ei hystyried, ond nid oes modd iddi ddod yn fasnachol gan na wnaed digon o fuddsoddi yn yr ymchwil o flaen llaw, nac o ran rhoi cymorth i gwmnïau edrych ar sut y gallant ddod â hi i'r farchnad.

Your second point was on the green jobs strategy, and that will represent a major announcement for the Government, given that it demonstrates quite clearly that this is an important issue with regard to the environment, but also that there are substantial business opportunities in this area. Our universities are producing new and interesting technology, which is under consideration, but there is no way of commercialising it, because of a lack of investment in the research beforehand, and not enough assistance being given to companies to look at bringing it to market.

[135] Er nad wyf yn gallu sôn am y manylion, bydd haen o'r strategaeth yn cyfeirio'n benodol at helpu cwmnïau sydd eisïau dod â swyddi gwyrdd i mewn i'r economi, drwy eu helpu i fuddsoddi mewn technoleg newydd a sicrhau bod hynny'n gwneud synnwyr busnes. Yn ogystal, i'r busnesau sydd ar hyn o bryd yn ei chael hi'n anodd bwrw rhai o'r targedau hyn, byddwn yn rhoi gwybodaeth a chymorth a chymorth ariannol o bosibl, fel y gallant gyrraedd rhai o'r nodau, a fydd o help i'r economi.

Although I cannot go into detail, the strategy will contain a layer that refers specifically to assisting companies that wish to bring green jobs into the economy, by helping them to invest in new technology and by ensuring that that makes business sense. In addition, for businesses that currently find it difficult to hit some of these targets, we will be providing information and assistance and, possibly, financial assistance so that they can reach some of these goals, which would help the economy.

[136] **Alun Davies:** Diolch. Mae hynny o help mawr.

Alun Davies: Thank you. That is a great help.

[137] Yr ydym wedi trafod sut y bydd y polisi athronyddol hwn yn effeithio ar eich penderfyniadau ym maes trafniadaeth. Sut fydd eich ymagwedd yn newid y ffordd yr ydych yn gwneud penderfyniadau polisi yn y maes diwydiannol? Yr wyf yn meddwl mwy am benderfyniadau ynghylch rhoi grantiau i gefnogi busnesau. Gyda'r rownd nesaf o arian Ewropeaidd, sut fydd eich polisi cyffredin yn newid y math o benderfyniadau y byddwch yn eu gwneud yn y dyfodol?

We have discussed before how this philosophical policy will affect your decisions on transport issues. How will your approach change how you make policy decisions about industry issues? I am thinking more about the decisions with regard to awarding grants to support businesses. With the next round of European funding, how will your general policy change the kind of decisions that you will be taking in the future?

10.20 a.m.

[138] **Y Dirprwy Brif Weinidog:** Mae llawer iawn o arian cydgyfeirio wedi cael ei neilltuo ar gyfer yr agenda hon. Rhaid cydnabod mai rhan o'r broblem yw bod pobl, ar hyn o bryd, yn eithaf araf yn dod ymlaen gyda'u syniadau i gael arian cydgyfeirio, gan nad yw'r dechnoleg yn aml iawn wedi datblygu'n ddigon pell. Felly, rhaid inni helpu'r cwmnïau hynny, gyda'r prifysgolion a sefydliadau eraill, i'w galluogi i ddod i'r

The Deputy First Minister: A great deal of convergence funding has already been allocated for this agenda. It must be acknowledged that part of the problem is that people are quite slow in coming forward with their ideas for convergence funding, because, very often, the technology has not developed far enough. Therefore, we must assist those companies, with the universities and other organisations, to enable them to come to the

farchnad. Yn sicr, gallwn helpu mewn nifer o ffyrdd. Y peth cyntaf y gallwn ei wneud yw sicrhau, er enghraifft, os ydym yn codi adeiladau ar gyfer cwmnïau diwydiannol ar safleoedd diwydiannol, fod yr adeiladau hynny yn cael eu codi i'r safonau amgylcheddol uchaf. Gallwn wneud pethau felly.

market. There are certainly a number of ways in which we can help. The first thing that we can do, for example, is to ensure that any buildings that we erect for industrial companies on industrial sites are built to the highest environmental standards. We can do those kinds of things.

[139] Gallwn hefyd, mewn rhai ffyrdd, er nad yw hyn wedi'i gytuno'n llwyr yn y strategaeth swyddi gwyrdd, sicrhau bod rhywfaint o arian cefnogaeth diwydiant yn dod i bobl sy'n mynd i'r maes hwnnw, ac i helpu cwmnïau sydd eisoes yn y maes. Felly, bydd rhywfaint o arian cefnogaeth busnes yn cael ei ailgyfeirio i sicrhau bod yr agenda hon yn cael ei gweithredu.

We can also, in some ways, although this has not been fully agreed in the green jobs strategy, ensure that some industry support funding is available for people going into that field, and to assist companies that are already in the field. Therefore, some business support funding will be redirected to ensure that this agenda is delivered.

[140] **Darren Millar:** Diolch yn fawr am y papur, Ddirprwy Brif Weinidog.

Darren Millar: Thank you very much for the paper, Deputy First Minister.

[141] I will just ask about the Carbon Trust. You made reference in your opening statement to the fact that many businesses take action because it makes sense for them to do so; it improves their profitability if they cut their energy costs, for example. The Carbon Trust has helped lots of businesses to realise that. However, you also made reference to the fact that there are some major industries in Wales that might need some other assistance. What are your thoughts about how the Carbon Trust can help those major emitters of carbon dioxide improve their lot? At the end of the day, the Carbon Trust seems to focus on medium-sized enterprises, and perhaps the smaller enterprises, to gain those wins, rather than work alongside the very big companies in order to reduce their emissions. How do you think that the Welsh Assembly Government can help the steel and power industry to reduce emissions, where they are in based in Wales, even if there may not be a directly devolved responsibility to do so?

[142] **The Deputy First Minister:** We are already working with a number of the large companies to achieve some significant gains. I am not sure how the Carbon Trust particularly can help; perhaps Tom can come in and give us a bit of advice on that. However, so far as the Government is concerned, I have already had discussions with people in the steel industry as to how we can help them, and they are very interested in investing in new technology. It makes a lot of sense for you to be reducing your energy consumption and use, and use of electricity, and there are lots of new technologies out there that some of these companies are looking at and we can help them. There is a particular problem in the steel sector because of state aid rules, in that we cannot directly give them business investment, but we can certainly work with them to see what sort of new technologies can be captured. I am not sure about the Carbon Trust.

[143] **Mr Bourne:** I will share this with Claire, I think. There is a state aid issue with the Carbon Trust—[*Inaudible.*]—bigger wins in carbon savings. However, in 'One Wales', we say that we will make a special effort with the bigger industries that you have mentioned. That is something that we will address anyway.

[144] **Ms Bennett:** The Carbon Trust does work with a range of businesses and one advantage that larger companies have is that they have more in-house capacity to address these issues, whereas the medium and smaller-sized businesses need an external person to

help them through the process of understanding the carbon footprint and their activities and how to reduce it. They do not necessarily have those kinds of environmental specialists or people whose only role it is to deal with that. The Carbon Trust works with a range of different types of businesses. One thing that has happened with the Carbon Trust over the years is that a range of different services has evolved. One thing that is being looked at, following a national audit report on its work last year, is whether there might be more intensive services that it could offer to larger companies. Those might be paid-for services, rather than a free service, which would then be in competition with other service providers. That might be the best way to address some of those sorts of needs.

[145] As the Deputy First Minister said, there is quite a lot happening there. There has been the announcement at Aberthaw about the trialling of a large carbon capture and storage facility, as well as announcements at Corus about investments in reusing waste gases. Again, those are significant investments, which will not only improve their carbon footprint, but also improve the plants' energy performance and reduce their energy bills. Ministers have been working with the company and talking directly to it about that. Therefore, we are already working with large companies on what they can do, and how we might facilitate some of that.

[146] **Darren Millar:** When we took evidence from UPM Shotton in north Wales, it had already made significant gains, working with the Carbon Trust. However, it referred to the fact that the problem with the Carbon Trust and the Energy Saving Trust is that they are working on the margins—dealing with light-bulbs and the easy things that can be done. UPM Shotton found that there were difficulties in trying to deliver its major combined heat and power project, and that more support, by way of helping to facilitate that, while recognising that the company itself needed to make a huge investment, would have been helpful. Therefore, thank you for that answer.

[147] One of the other points that UPM Shotton made to us was that it did not feel that it would be appropriate to penalise the early adopters when the new targets kick in. How will the Welsh Assembly Government ensure that people who have already made significant efforts to reduce their carbon emissions are not unfairly given the same targets as those people who have, so far, made no effort whatsoever? The gains that the companies can make where they have already made a huge effort will not be as significant as the gains that other companies, who have made no effort so far, can perhaps make in the future.

[148] **The Deputy First Minister:** If a company needs to comply with, for example, the sorts of regulations that we are talking about—they tend to be European and UK regulations, rather than ours—we try, in addition to that, to have an overall Government approach to a particular sector, rather than individual industries. However, I am pretty sure that a company that has done that would not be penalised in any way—there would be significant benefits to that company.

[149] **Darren Millar:** So would there be some sort of, for want of a better phrase, contraction and convergence model within industry, so that early adopters are not penalised?

[150] **The Deputy First Minister:** I cannot see that that would happen. Do you want to come in on this, Claire?

[151] **Ms Bennett:** One of the challenges in emissions trading schemes is how you avoid those sorts of perverse incentives, and some of the other problems. That is one thing that is a focus of discussion for phase 3 of the scheme, which is the directive that is currently under negotiation. So, for example, the commission is proposing that the base year for calculating everyone's performance for 2012 onwards should be 2005. Accession member states are saying, 'We do not like the sound of that; we would prefer it to be 1990, because we have made big strides in the 15 years between 1990 and 2005'. Therefore, if you started from 2005,

that is difficult. That is the kind of debate that is alive in Europe at present, and that applies whether it is at member state level, or is down to individual sectors and installations.

[152] I will not bore you with the detail of the allocation methodology, but it is a complicated process. The level of effort is allocated to sectors, and then allocated to individual installations; there is a standard methodology that is based on either standard benchmarks or grandfathering for individual sectors. However, for example, if your plant had been mothballed for a period of that qualification time, you can apply to have allocation methodology rules applied, so that your base year is adjusted to reflect the fact that the operation during that period was slightly different.

[153] So, there are ways in which the scheme tries to take account of those sorts of things, while maintaining a level playing field. That is always a difficult balance to strike—you are not penalising people, but you are also not making it so that there are a lot of loopholes for everyone to take advantage of. That is built into the scheme, and there is a continued discussion with regard to how to make it as fair as possible.

10.30 a.m.

[154] **Darren Millar:** I do not want to labour this point, but where you are talking about, perhaps, going back to 1990 emission levels for Wales, for example, if there were installations that did not exist in 1990, how would you address that?

[155] **Ms Bennett:** They would make some assumptions and build up an allocation profile. When we are talking about phase 3 of the EU ETS, we are talking about Europe-wide caps and benchmarks. We are currently in phase 2, which operates a UK-wide cap and benchmark. So, there are ways of building it in. All of the trading schemes are complicated with regard to the regulatory stuff that sits underneath them that no-one sees.

[156] **The Deputy First Minister:** That is why I am glad that Claire is here. [*Laughter.*]

[157] **Ms Bennett:** We can provide more information about it if that would be useful.

[158] **Darren Millar:** Thank you.

[159] **Michael German:** Lesley, some of the areas that you were going to probe have been covered. Do you want to work around that?

[160] **Lesley Griffiths:** I would like to go back, Deputy First Minister, to what you said about the CBI having warned of the danger in relation to Welsh companies having to meet additional targets other than those demanded of them by the UK and Europe. What work has the Welsh Assembly Government done to ensure that Welsh companies are protected from having to meet these additional regulations?

[161] **The Deputy First Minister:** Unless I am totally mistaken, our intention is not to include any new regulations on business. In other words, the regulatory framework is set at the EU and UK level. There will be no specific Welsh regulations on top of those. The regulatory framework will be reviewed to ensure that we all understand the targets and the way in which they work with each other. By and large, I have found a great deal of willingness on the part of Welsh industry to work with us on that. All of the businesses that I speak to realise that there will be an even greater regulatory framework going ahead at both the European and UK level. On their investment, they are already planning ahead. With regard to the recent investment at Toyota in Deeside, it was interesting that we were there announcing its new engine, but Toyota is thinking of the next generation engine. It realised that, by the time the new generation engine comes along, there will be even tighter regulations

on emissions. So, it is already planning for that in its investment decisions.

[162] I can understand that this may cause a distortion in the market in the short term, as some businesses will say, ‘I have a company in Cardiff that has to meet these targets, but I have a company in Bristol that does not’. However, in the medium term, where these investment decisions are made, companies are sometimes already way ahead of the targets that we are setting them. So, I am reasonably confident that companies—certainly those that I have spoken to—do not see this as a massive problem.

[163] **Michael German:** I would like to go back to part of your earlier answer about regulation. The regulatory framework directive comes from the EU and then transfers into law through the UK Parliament. You are saying that there will be no separate regulation to deal with these matters in Wales. Therefore, the targets that you are setting will be a UK framework, but not a Welsh framework, and any targets that you set in Wales will have to be voluntary. Is that the case?

[164] **The Deputy First Minister:** I want to get this absolutely right. Am I right in saying that there are no plans for special or different Welsh regulations?

[165] **Ms Bennett:** It is making a distinction between the targets and regulatory instruments as one mechanism by which you can achieve a reduction. The two things are not synonymous. So, as the Deputy First Minister has said, the 3 per cent target is not about heavy industry, so that is fine. The 3 per cent target is about emission reduction. ‘One Wales’ highlights public sector, residential and transport emissions. There will be a discussion about the precise definitions of that and whether there are other sectors that should be included, and whether there is a part of a business that is not heavy industry that should be, or not. That is what will be discussed with the Cabinet, the climate change commission and everyone else over the summer. On the issue of whether we need to regulate business any more, in addition to the existing UK and European regimes that are in place—no, we do not, because at the moment there is no evidence that there is a gap. Heavy industry is covered by the European Union Emissions Trading Scheme, electricity use will be covered by the carbon reduction commitment, but that does not mean that you cannot do anything with business—you can use business support, the green jobs strategy, and all the stuff that is about helping people to make improvements rather than regulating them.

[166] **Michael German:** What I am asking is: if you have a target, and it is backed by European and UK legislation, it is a European and UK target, and that is the target that you are seeking to meet. If you have an additional target that is being met only voluntarily, is that achievable? It is not backed by the one part of the regulatory framework that you could influence, by having a separate regulation for Wales.

[167] **Ms Bennett:** I am sorry—I am not clear which target you are referring to.

[168] **Michael German:** The 3 per cent carbon reduction, or whatever it is, that is in the ‘One Wales’ document.

[169] **Ms Bennett:** That does not cover heavy industry. The 3 per cent target is for areas of devolved competence.

[170] **Michael German:** I am sorry to labour the point, but you have an overarching target set by the Government, and therefore that target must be achieved—in whatever way you want—

[171] **Ms Bennett:** In areas of devolved competence.

[172] **Michael German:** You could put different emphases on different parts of industry and the public sector—and in a moment we will turn to the public sector, which has a huge role to play—so you must have some idea, if it is to be voluntary, how it will be achieved.

[173] **The Deputy First Minister:** One area that we have discussed already is transport. ‘One Wales’ states that there will be a 3 per cent cut year-on-year in carbon dioxide emissions from transport by 2011. We have also made it clear that there need to be sectoral targets, so that transport itself is making that contribution. Within Government, we are working with all the sectors that are key to that—logistics, the railways, the buses and all the rest of it. We are working with them to draw up an action plan to meet that 3 per cent target. That is how we will achieve 3 per cent—we will work with people to deliver that target. It is not a 3 per cent target on an individual bus company—it is a target across the sector. That applies whether you are talking about transport, the public sector, or housing. It does not say that the Wimpey development in Cardiff bay has a particular target—it is a question of whether we have met the target overall, throughout Wales, for the housing sector generally.

[174] **Michael German:** I think that I have made the point—

[175] **The Deputy First Minister:** We are working to agree those sectoral targets within Government. We have not made a regulation that says that each company must have its own 3 per cent target.

[176] **Michael German:** I am essentially asking whether—if you are intent on having targets for each sector, for public bodies, industrial bodies, transport, education, and so on—you intend to make it voluntary if you find that the regulatory regime is insufficient to drive it forward?

[177] **The Deputy First Minister:** I am not sure why you are going down that road, because if we, as a Government, are adopting a sectoral approach, what we need to do is to work with the sectors to deliver the targets by 2011. We do not think that we need regulation to do that, either in the transport, residential or industrial sector. We think that we can do it with Government policy in the way that we have described.

[178] **Ms Bennett:** I think that that flexibility is important to what we are able to do, because at a UK level there are carbon budgets, and that is where the overall targets are set for the whole economy. The UK committee will advise on trade and non-trade—it makes that distinction. However, those are statutory targets, so it is the case that the whole direction of travel for all sectors will be informed by the level of the carbon budgets as advised by the UK climate change committee. So, there is a driver for everyone there.

[179] **Michael German:** Is there another point here?

[180] **Mr Bourne:** Just to enforce what the Deputy First Minister said, it is more to do with the way that we run our business, in relation to our policies and actions, than individual businesses out there. If we choose to work with a developer to enhance the performance of a new building, that is a proactive approach on our part. Standards will be enhanced as a consequence of receiving assistance from us. That is countable and something that we could account for in our business plans and programmes.

10.40 a.m.

[181] **Michael German:** However, we are not talking about business here; we are talking about public bodies such as in education.

[182] **Darren Millar:** I must say that simply saying that there are carbon budgets in the

Climate Change Bill lacks ambition. We have annualised targets from 2011 in Wales that we all want to meet, on a cross-party basis; that is what the work that this committee is currently undertaking is about. We all want to see these targets met. If the voluntary arrangements that you are suggesting are a vehicle for achieving these carbon reductions are not working, what stick will you use to ensure that those targets are met in future? It seems to me that if we use the UK regulation, we might as well not have a target in Wales at all. We might as well say, 'The UK Government will do the enforcement for us.'. How will you police the scheme, Minister?

[183] **The Deputy First Minister:** There is public investment in the public sector, and that investment will be delivered only if, for example, the new buildings meet the highest environmental targets of zero carbon. Such schemes will not receive money if they do not do that. That is the biggest stick that I can think of. If a company comes to us and says that it wants to build a factory somewhere and that it would like Government help, we will say, 'Okay then, but your building has to conform to the latest environmental standards. You have to build into your building all the things that will enable you to help us to meet the target.'. So, there are big incentives here for companies and for the public sector to do it. If one thing has become clear from some of the evidence that I have seen, it is that some sectors of industry do not like the target, but they certainly would not like the regulation on top of it.

[184] **Darren Millar:** I appreciate that we want as light a touch as possible and, as you can imagine, I am not going to advocate lots of regulation; it is not something that our party would be particularly pleased with. However, on the areas of influence of the Welsh Assembly Government, you have cited grant support as being an instrument that you could use as a carrot and stick approach, and I know that we are coming onto the public sector later, but if you are setting clear targets and they are not being met, and there is no easy lever like a grant that you can make available, how on earth will you police the annualised targets, given that the regulation at UK level will be across a carbon budget period? We need the tools to do the job, do we not?

[185] **The Deputy First Minister:** Looking at the way that we will be developing our sectoral targets, I think that we currently have the tools to do the job. The impression is that we are pushing uphill, or that is what you almost suggesting. Will it be difficult to deliver new public buildings from now on to meet these targets? The answer to that is, 'No, that will happen'. Everybody in business that I have spoken to knows that they must meet these targets, so they are working with us to do it. Few people out there are currently burying their heads in the sand, which is what would mean that we would need the big regulatory stick, in addition to the regulatory sticks that we have, and that we would not meet the target. There is a great deal of willingness out there to work with us on the targets. Remember that these are not individual targets for companies; it seems to me that the regulation would be appropriate if individual companies had individual targets. This is a sectoral approach, and when you have a sectoral approach you can develop actions with the sector that will deliver against the target.

[186] **Mr Bourne:** We must also remember that the trading scheme captures only a small number of businesses, albeit big businesses. We are looking to capture all the businesses that we can in Wales across the board, and we support thousands of businesses every year. It is those businesses that we can now reach in the way that we give them support; the thought process is that if we help them to prepare their business economically, there is a great deal that they need to do to meet climate change requirements and making new products that will be products for the future.

[187] We want to turn it around to be a positive agenda that says, 'This is where the future is going to be; we can help you plan to future-proof your business so that you can meet this in the future, rather than be chased by the regulations when they apply to smaller businesses.'.

[188] **The Deputy First Minister:** I just wish to say that the targets that we have set have all-party support. I think that that is part of the development of where this society is going. That reflects the feeling out there that we all have to do something.

[189] **Alun Davies:** Thank you for those answers, Deputy First Minister. On how you see these drivers moving forward towards a more voluntary sort of process—a non-legislative non-prescriptive approach, you might say—I hope that you will agree that we need a regime of review, at least, to ensure that these voluntary means are achieving the targets. Although I appreciate and agree with the general approach that you are taking, I am sometimes concerned that, without the stick of regulation behind these more voluntary approaches, it will not achieve the sorts of reductions that we are looking for. I hope that you will agree that there is a need for regular review of the impact of these policies.

[190] At the moment, I assume that the Assembly Government's strategic framework for economic development, 'Wales: A Vibrant Economy', remains in force. Do you have any plans to revise, to rewrite or to re-launch your overall strategic framework for economic development? I am aware that that document was published by the previous Government, but you will be aware of the criticisms that have been made of it, that it is business as usual for economic development and that some of its policies and frameworks could have an enormous negative impact on the environment. Do you see yourself, as a part of this work, rewriting and re-launching that framework?

[191] **The Deputy First Minister:** The answer to that is emphatically, 'no'. One of the first questions that was put to me when I came into this job, was, 'Will you now need to have a new strategy, Minister?' and I said, 'No'. That would involve officials spending probably six to nine months preparing another document, which would then have to go out for consultation; it would take about 18 months to deliver and then we would be almost at the end of this Assembly Government. What you must remember is that that document was adopted by the previous Government, but it is now being informed by three major changes: the first is the single investment fund, which has changed the way in which we support business; the second, of course, is that next week I will be announcing the sectoral approach to business support, when I will adopt most of the ministerial advisory group's recommendations, which talk about the sectoral approach to business; and, the third is that in the autumn we are publishing our all-Wales green jobs strategy. Those three significant changes, in themselves, will change the way in which we support business, the way that we look at it, and the way that we now look at our environmental obligations. So, rather than going back and rewriting 'WAVE', I think that we should just get on with it.

[192] **Alun Davies:** [*Inaudible.*]

[193] **The Deputy First Minister:** It is being informed and changed by these three initiatives.

[194] **Michael German:** I am anxious, colleagues, that we have to cover the public sector as well, and that is a very big area. Do you want to make a very brief comment, Claire, so that we can move on?

[195] **Ms Bennett:** I will be really quick. On the point about review—

[196] **The Deputy First Minister:** Sorry, that is a good point.

[197] **Ms Bennett:** The Climate Change Bill contains a clause that requires the Assembly Government to report to the National Assembly for Wales on its objectives, priorities and activities in relation to climate change, both emission reduction and adaptation, and for it to

do that periodically. When it does the next one, it is to report on progress. So, there will be a statutory requirement to report on progress, going forward. I hope that that will provide some reassurance that we will be reporting on that because the Bill requires us to do so.

[198] **Michael German:** Brynle, if you could take us from where you want to go into the public sector, that would be very helpful?

[199] **Brynle Williams:** Diolch yn fawr i **Brynle Williams:** Thank you very much for chi am ddod i mewn, Ddirprwy Brif coming in, Deputy First Minister. Weinidog.

[200] My concerns, as Darren was saying earlier, relate to the policing of the targets. Deputy First Minister, you have said before that the likes of Toyota—the large companies—are adapting and going on nicely, looking at the future of carbon reduction. It is estimated that, in Germany, 250,000 jobs have been created in developing and manufacturing carbon reduction technologies and products. Here in Wales, there may be many small companies that may not be able to develop their sites and facilities to adapt to the new Building Research Establishment environmental assessment method standards. That is one problem. What measures are being taken to encourage companies that develop and manufacture carbon reduction products and technologies to locate in Wales? That is what we want; we want this business here in Wales.

10.50 a.m.

[201] **The Deputy First Minister:** I was very close to your home the other day, Brynle, as you know, when we announced an investment in a recycling company in Rhydymwyn. It is an excellent company that has captured some of the new technology, which I see as the way ahead. It was nice to see a company that not only has that new technology but is also commercialising it in Wales—although it is transporting it to the other side of the world. What you find is that, whenever there are changes in the regulatory framework, there is always someone out there who will come up with a bright idea to take advantage of it. Ten years ago, that company in Rhydymwyn probably could not have existed, because the regulatory framework that demanded the recycling was not there. However, once the framework existed, there was a company taking advantage of it.

[202] I think that you were with me in Llanfihangel Glyn Myfyr when we launched the biofuel plant. So, companies are now beginning to tap into this new technology, but there is much more work to do—I acknowledge that. There are many interesting technologies that I have seen that have not yet been commercialised. What I would like to see—and I have been discussing this with many of our universities—is companies working with the universities to develop products to the point at which they could be introduced to the marketplace. We are willing to support industries to do that. Frankly, there is a great deal of support that it is possible to get through the convergence funding programme to look at these sectors. So, I am very conscious of the need to do that.

[203] To refer to it for the third time this morning, the all-Wales green jobs strategy will be developing that approach into the next stage, which is looking at those new technologies as a specific sector for support.

[204] **Michael German:** We have only eight minutes left and I want to look at the public sector, so we will jump to Lorraine's questions.

[205] **Lorraine Barrett:** I have two points. First, do you think that you are showing enough leadership to local authorities to provide direction for them in regard to carbon reduction? Secondly, there are conflicts between policy demands. For example, there is a health policy to

reduce waiting times, but that means that buildings are being used at weekends and there is more out-of-hours and weekend work, which means that more energy is being used to meet the targets. I am also thinking about flexi working—which might mean that people may be working later and perhaps longer hours in local authority buildings—as well as community use of schools and so on. We encourage local authorities to open up their buildings and use them more, but they must also comply with the policy of cutting energy consumption. Could you say something on those two matters?

[206] **The Deputy First Minister:** In a general sense, we have a good relationship with local government on making public buildings more energy efficient and reaching the highest environmental standards. I think that local authorities realise that they have a very significant role to play in that. We work with them to make sure that if a new school is needed it meets the highest environmental standards, for example, and new public buildings that are financed through us need to meet zero carbon targets and so on. I think that there is a good relationship with local government. You make an interesting point about the use of public buildings. It is one thing to have those buildings as efficient as possible, but the length of time that buildings are used does mean that there is the possibility that more energy is being used. However, if you stagger working times—and we have looked at this in transport terms—you reduce congestion, which also does help with this in another way. Would you like to pick up on the issue of the extended use of public buildings? I acknowledge that that could well be a challenge.

[207] **Ms Bennett:** I think that that is one of the things that we need to look at. The Wales Audit Office has done a number of reviews of energy and water use in schools and other sectors and what it found is that there has generally been a poor utilisation rate, so the building is operational, but not all of the space is being used. There is probably quite a lot of scope to extend the use of public buildings without adding to energy bills. Although, obviously, if their use was very much extended then there could be some issues. The experience in the health service has been that it has made very good progress in reducing energy consumption from heating, but it is the electricity demand that is the challenge. That is not least because of the sort of kit that is being put in, which just uses more power. Those are some of the specific challenges that need to be worked through reasonably. There are, however, other things that can be done. You can still be more efficient and you can still invest in renewable technology, so that when you are using that electricity, it is coming from a non-carbon source.

[208] On the local authority front, some local service boards have identified carbon reduction as one of the policy objectives that they want to deliver against. Gwynedd is one of them. We have been working with them to see how we can help them to move forward on this, because it has proven to be quite challenging, looking across the whole range of services that a local authority provides. What we want to do is to learn the lessons from the ones that are piloting an approach to this and then work with the other authorities. You have previously looked at some other aspects of local authority targets and how effective or not effective they have been. We really need to look at something that is about working together collaboratively going forward, something that will deliver reductions, and not just leave them with some of the slightly odd Home Energy Conservation Association targets, for example, which you have looked at, which were not necessarily completely achievable.

[209] **Michael German:** Lorraine's question was about leadership. I will just give your four examples from the evidence that the committee has received. Local authorities in Wales have said that they are looking to the Welsh Assembly Government for guidance. Welsh Health Estates said that there is a tension between the demands of the Welsh Government's health policies and carbon reduction. The local government information unit said that the local authority economic development function is not reflecting the need to address carbon reduction. We have also been told that local authorities in Wales are not demonstrating the

necessary leadership to tackle carbon emissions effectively. All of that seems to me to be a request or a plea for leadership from the Welsh Assembly Government. Do you agree with those criticisms? Perhaps you could tell us what actions you are proposing to take to provide that leadership for the public sector, particularly in dealing with the tensions that exist between policy on the one side—the health policy, for example, as you have just explained—and the need for carbon reduction?

[210] **The Deputy First Minister:** There are a number of actions that we are taking. The first is an aspiration for all new buildings to be zero carbon by 2011. We are pursuing the devolution of building regulations, which the Government is committed to doing in order to provide a regulatory framework for the zero carbon aspiration and to ensure a level playing field, and there is the use of all the other levers that I have mentioned today. We are also promoting the code for sustainable homes. So, there are quite a lot of things that we are currently showing leadership on and the Government itself has set out its stall in ‘One Wales’ and these are the sorts of levers that we are using. The impression that I get from the many organisations that I speak to is that they want to work with us to deliver them. The point that Claire made about working with local authorities shows that that is already beginning to deliver results.

11.00 a.m.

[211] **Darren Millar:** You have rattled off a list of things that you hope to deliver, but is it not a fact that where you already have levers, you have not used them? For example, in the Home Energy Conservation Act 1995 there is the requirement on local authorities to appoint an officer and for that officer to undertake some work. The Assembly Government has not policed that, even though it has the powers to do so. We have asked these questions of the Minister and so far I think that we have had pretty unsatisfactory answers on that front. You are still not policing it, even though you could. So, how will you deliver those targets in the public sector, which should be an easy area in which to deliver on these targets? Will you set specific targets that are measurable so that you can then dangle a carrot and a stick in front of local government to encourage it to move in the right direction? That is what it asks for and that is what the evidence suggests that it wants from the Welsh Assembly Government, but it is not getting it.

[212] **The Deputy First Minister:** I am not sure about the point that you raise in relation to local government. I am not in a position to give you a specific answer on that today, although Claire might like to. It seems to me that I will need to write to you and consult with Brian Gibbons on that. I am not sure what else is needed in the targets. We have already indicated what we have tried to do in relation to public buildings. We are working with local authorities to deliver that. We have made it clear that when new schools are built, they will have to meet these new environmental standards and that all new public buildings will have to comply with those. Anything that we do with local government will need to meet those standards. Local government has clearly expressed a wish to work with us to deliver these specific targets. So, I am not sure whether anything else would be necessary.

[213] **Darren Millar:** Yes, but they are telling us that you are not providing enough leadership.

[214] **The Deputy First Minister:** Who—the local authorities?

[215] **Darren Millar:** Yes.

[216] **Michael German:** [*Inaudible.*] It is health and local government. Could you give us a note on that matter?

[217] **The Deputy First Minister:** Absolutely.

[218] **Michael German:** Claire, do you want to say something?

[219] **Ms Bennett:** I wanted to give some other information, which may be useful. There will be local service agreements and targets as part of the new local service board processes, which are being developed. It would be possible for one of those to be on carbon reduction and there are ongoing discussions with local authorities on that. There will be a process in order to arrive at that. The remit letters that we provide for Assembly Government sponsored bodies provide a clear steer on carbon reduction, so we can use that as a lever. The ones for the Environment Agency and the Countryside Council for Wales from my department are very clear—there are strong signals about what we expect them to deliver in this area. There is also the ‘Energy Measures’ report, which is a long document that sets out for every local authority service area the action that it could take to reduce carbon emissions. That was produced by the former Department of Trade and Industry, but we contributed a lot of detail to it, because that is how the legislation works—the report is produced by the Secretary of State. However, again, we are using the Climate Change Bill to transfer the responsibility for producing that statutory guidance to the Welsh Ministers. We have also expanded that slightly so that, as well as covering energy measures and addressing fuel poverty, it will also cover adapting to climate change so that, once the Bill has passed, we will be able to produce some revised statutory guidance for local authorities, taking them through, on a step-by-step basis, exactly what they can do, whether in waste or social services, or any other part of their service provision, to start to address that. The guidance is out there, it is just—[*Inaudible.*]—but we will be able to update it once the Bill is passed. So, we are doing things.

[220] **Alun Ffred Jones:** Mae fy nghwestiwn yn debyg i un Darren. Gwerthfawrogaf yr hyn y mae Claire Bennett newydd ei ddweud a gallai hynny newid y sefyllfa, ond beth mae'r Llywodraeth yn ei wneud mewn perthynas â llywodraeth leol i geisio cyrraedd y targedau hyn?

Alun Ffred Jones: My question is similar to Darren's. I appreciate what Claire Bennett has just said and that that could change the situation, but what is the Government doing in relation to local government to try to reach these targets?

[221] Digon hawdd yw sôn am gytundebau polisi lleol, ond beth yw ystyr hynny mewn gwirionedd? Hoffwn roi un enghraifft i chi o un cyngor lleol, lle'r oedd ysgol yn cael ei hadnewyddu, a chadeirydd y llywodraethwyr yn awyddus i roi paneli ffotofoltäig ar y to er mwyn arbed ynni ac i gael melin wynt i gynhyrchu trydan. Cafodd yr arian i wneud hynny o fewn tri chwarter awr, dros y ffôn, ond cymerodd naw mis iddo gael y caniatäd cynllunio. Felly, nid oes pwynt inni gael cytundebau polisi os yw'r ymarfer yn milwriaethu yn eu herbyn, a dyna'r her i'r Llywodraeth ac i lywodraeth leol. A fydd yr arweiniad hwn y mae Claire Bennett newydd gyfeirio ato yn mynd i'r afael â materion cynllunio, er enghraifft?

It is easy enough to talk about local policy agreements, but what do they mean in reality? I will give you one example from one local council, where a school was being refurbished, and the chair of the governors was keen to put photovoltaic panels on the roof to save energy and to install a windmill to generate electricity. He received the money within three quarters of an hour, over the phone, but it then took nine months to secure the planning permission. So, there is no point in our having policy agreements if the practice militates against them, and that is the challenge for Government and for local government. Will this leadership that Claire Bennett has just referred to tackle planning issues, for example?

[222] **Y Dirprwy Brif Weinidog:** Nid wyf yn gwybod a oes newidiadau cynllunio ar y gweill, ond gwn ein bod yn gwneud cais am gael datganoli rheoliadau adeiladu.

The Deputy First Minister: I do not know whether any planning changes are in the pipeline, but I know that we are applying for the devolution of building regulations

[223] Claire, would you like to deal with the issue of planning?

[224] **Ms Bennett:** My Minister, Jane Davidson, has consulted on various changes to planning law to strengthen how 'Planning Policy Wales' drives planning policy towards delivering emission reduction and adapting to climate change. The work on incorporating the results of that consultation is almost complete, and I understand that the revised 'Planning Policy Wales' and associated documents will be published at the start of July. There will be some progress.

[225] Specifically on microgeneration installations in non-domestic buildings, we have consulted on microgeneration in domestic buildings and there will be some regulations coming forward on that later this year. The position with non-domestic buildings is a bit more complicated because of the variation. The Assembly Government is currently undertaking research, jointly with the Department of Communities and Local Government in England, to look at the sorts of issues that arise with different types of building and different sizes of technology, given that you can get bigger installations on a commercial building. Once that research is complete, we will be looking back at the planning regulations to see whether more permitted development can be allowed and what more can be done to facilitate the installation of those technologies, while retaining the appropriate safeguards.

[226] Some of the other things being looked at across the programme of planning and climate change includes training and support for local authority officers, because, at the end of the day, the Assembly Government sets the policy, but those decisions are made by local authority officers and local councillors at a local level. So, finding ways in which more information about the technologies or other issues can be provided might help in taking this forward. That is some of the stuff that is being looked at on the planning front.

[227] **Y Dirprwy Brif Weinidog:** Y pwynt cyffredinol i'w wneud wrth ymateb i enghreifftiau o'r math yr oedd Alun Ffred yn cyfeirio ato, pan oedd popeth yn ei le ar wahân i'r caniatâd cynllunio a hynny'n cymryd naw mis, yw bod angen ei gwneud hi'n haws i bobl gael y caniatâd hwnnw yn hytrach na'n anoddach. Cytunaf o ran hynny.

The Deputy First Minister: The general point to make in responding to the kind of example that Alun Ffred alluded to, when everything was in place apart from the planning permission, which took nine months, is that we need to make it easier for people to secure that permission, not more difficult. I agree on that.

[228] **Michael German:** We will have to leave it there, because time is against us. I thank you, Deputy First Minister, and your officials for giving the evidence today. I do not know how the committee feels, but I feel as though we have not had sufficient time to explore the relationship between public bodies and carbon reduction. Perhaps we could ask the clerk to see whether there is any way to squeeze in some more evidence-taking from the Government on this matter. However, it may not be possible.

[229] Friends of the Earth has invited the committee to receive a book from it, called *How Can I Stop Climate Change?* On your behalf, I have accepted its invitation, and I suggest that we receive the book after the committee meeting on 9 July, to avoid any problems.

[230] Finally, Members, if you have not yet discussed your travel arrangements for going to Ireland with the clerks, please do so, so that we can finalise those arrangements.

[231] The next meeting is on Wednesday, 25 June, when we will be holding a scene-setting evidence session with the Welsh Energy Research Centre on the energy production section of the new carbon reduction inquiry. Thank you.

Daeth y cyfarfod i ben am 11.10 a.m.
The meeting ended at 11.10 a.m.