

# Enterprise and Learning Committee

EL(3) 01-10 (p1) : 14 January 2010

## Inquiry into Generating Jobs in the Green Economy

### Submission paper by BWEA Cymru

- The likely impact of the current recession and the reduction in public expenditure on financial incentives, business support and grant aid and on investment in larger projects, such as renewable energy, new development projects, waste management initiatives;

Given the Association's scope and remit, it is the *impact of the current recession on investment in larger projects such as renewable energy* that BWEA can comment on.

The main impacts of the credit crunch and recession have been to limit bank lending to new onshore wind projects, and to weaken the Pound against the Euro, which has increased the cost of wind turbines and other equipment that are currently imported from the Eurozone.

Onshore wind construction in the UK has been sustained by larger utility companies building 'on balance sheet' using corporate resources rather than project finance. Independent wind developers have struggled to gain the capital required to construct their projects, though the recent opening of a lending scheme backed by the European Investment Bank promises to alleviate this problem. Nevertheless, 2009 saw nearly 800MW of onshore wind built across the UK, compared to 530MW in 2008, and we expect 2010 delivery to be similar to 2009. So while there have been impacts on individual projects and developers, overall the sector has come through remarkably well.

Offshore, the exchange rate movements compounded other factors that have driven up capital costs, leading to calls for additional support for the sector in early 2009. Announcements in the Budget and Pre-Budget Report around a higher ROC multiple for the offshore wind band of the Renewables Obligation have ensured that projects continue to be contracted, however. The 2ROC per MWh support level has been extended to all projects commissioned by March 2014, and a number of developers have confirmed that their projects will go ahead as a result. BWEA is confident that the way is now clear for UK offshore wind capacity to double in 2010 and to continue to grow rapidly thereafter.

In terms of build, therefore, large wind projects appear to have 'dodged the bullet' due to actions taken by industry and Government. The more indirect impact of uncertainty on earlier-stage development spend has yet to be fully seen, though BWEA members continued to submit onshore projects into the planning system throughout 2009 – the total was the highest since 2004.

In Wales, lack of build was not down to the impact of recession, but simply the lack of viable projects yet resulting from TAN8, and the lack of grid capacity. When these issues are finally resolved, then the industry should be in a strong position to deliver.

- Business attitudes to investing in low carbon initiatives;

It cannot be stressed highly enough that the most important factor in making a country a major site for investment in low carbon industry is for there to be a strong, stable domestic market for the goods and services required. This has been the lesson from the wind industry in Denmark, Germany and Spain, where world-leading manufacturing bases have been established on the back of comprehensive policy support for the building of wind power generation. If the market does not exist domestically in the UK, or is considered unstable and risky, then this country will not benefit from the investment that is inevitable if climate change is to be tackled.

The UK Government has made strong moves in this area, for example with the setting of carbon budgets under the Climate Change Act, and the strengthening

of policy in the Renewable Energy Strategy. BWEA also welcomes the ongoing process to implement the feed-in tariff system enabled by the Energy Act 2008.

However, it is still the case that the UK is regarded as a difficult market, particularly with regards to getting planning permission for onshore wind farms. Government at all levels will have to work hard to overcome these perceptions and create confidence needed to establish manufacturing. As well as concrete action to overcome remaining barriers to delivery, BWEA would welcome stronger public support for our technologies, at least on a par with the expressions of support given to the nuclear power sector by UK Government ministers. Before 2015, wind power will overtake the contribution of nuclear power to the UK grid, and will remain a larger contributor until such time as a large fleet of new nuclear plant is online, perhaps at the end of the 2020s. Government rhetoric and actions must reflect this reality, or investment in UK renewables will be deterred by a perception that the Government is more interested in new nuclear at the expense of renewables. We look forward to further and frequent indications that renewable energy is being given a high priority within Government generally, and in the Welsh Assembly Government in particular.

In order to give the really long-term confidence required to ensure an industry when the investments required to take part are high, most notably in offshore wind, then it is highly desirable to set longer-term targets, beyond 2020. The investments required to meet the delivery of 2020 targets will be easier to justify if there is an indication that there will continue to be a market beyond that date. The marine renewables will not be delivering more than 1-2% of our electricity by 2020; if we are to build world-beating industries in this sector then it is essential that a longer-term vision is set out in the near future. The longer-term perspective will also be very useful in planning the grid infrastructure to transport the power.

If Governments are successful in setting this policy agenda and the resulting market is strong, then jobs and economic development will flow. There are already examples of significant employment in Wales stemming from the wind industry: RWE Npower Renewables has approximately 70 staff which is around

one-third of their UK staff based in Wales. Civil engineering company Jones Brothers of Ruthin employ 280 staff – 90% of which are based in Wales. Contracts on renewable energy projects accounted for 30% of Jones Bros business last year with a number of staff involved in developing renewable projects outside Wales. Siemens has established an operations base in Newtown employing 50 people.

If 2,500MW of onshore wind capacity is built in Wales by 2020, this should result in about 1,000 operations and maintenance (O&M) posts, and a similar number of construction jobs, though the key to ensuring that the latter are taken by Welsh people will be consistency in construction, allowing local firms to build experience and capacity. Offshore could result in a further 600–800 O&M jobs in Wales by 2020. As the Jones Brothers example proves, this work could also be the launchpad for Welsh companies to take business across the UK, benefitting the Welsh economy.

Manufacturing jobs will be more difficult to secure in Wales. Onshore wind projects will continue to rely on imported turbines, though some parts such as towers and blades could be made locally. The ‘centre of gravity’ for offshore wind will be the east coast of England, facing the largest Round Three zones, and this is where manufacturing is most likely to be developed. Even with the wave and tidal stream sectors in an early stage of development, Wales has some catching up to do if it is to be an investment destination of choice ahead of Scotland.

However, given that some offshore wind developments are to go ahead in the Bristol Channel and Irish Sea, there may be potential to identify and develop a manufacturing port on the coast of Wales as a base for their construction and servicing.

There will be niches within which Wales can take a lead, however. Small wind turbines could be made in Wales, and indeed one manufacturer, Quiet Revolution, has already established a plant in Pembroke. There is no reason why others cannot follow in their footsteps as the Feed-in Tariff stokes the market.

- Impact of consumer attitudes on popularity of green products/ technologies

Consumer attitudes to the deployment of new renewable technologies vary widely. Official opinion polls constantly show that 70 -80% of the public support wind power as a way to tackle climate change. However this general support may not be obvious in communities where developments are proposed. Political objection to renewable technology development may then have an impact on the rate of delivery. Of major concern to the industry is the length of time it takes for both planning authorities and the Planning Inspectorate to determine wind farm applications, which stagnates and undermines target delivery. The planning system remains slow, arduous and expensive for developers who are pursuing renewable energy projects in Wales.

- Effectiveness of green jobs strategy in Scotland

The Green Jobs Strategy in Scotland may be credited with manufacturing developments at Skykon/Welcon in Campletown and also the announcement that EEW steel are looking at sights and are willing to invest in Scotland. However given the vibrancy of the renewable energy sector generally in Scotland these supply side developments may have gone ahead regardless of any strategy.

In summary:

Wales needs to act now if it is going to ensure that the shift to renewable technology bring widespread economic and job creation opportunities. The majority of offshore development is expected to go ahead off the east coast of Britain however there will be a need for a port base somewhere on the west coast. Developing a sizable manufacturing capacity for marine renewables would require a lot of effort and investment to catch up with Scotland. There is manufacturing potential to develop onshore turbine components as is shown by the production of small wind turbines by Quiet Revolution in Pembrokeshire. Installation, operation and maintenance of renewable systems may represent

the best opportunities for Welsh businesses to directly benefit from renewable technologies and therefore investment needs to be directed towards improving company capacity and technical skills. In addition to civil engineering skills that Wales can export from such companies as Jones Bros, there are a respectable number of project developers and specialist consultants who are already based or have branches in Wales.