



Pwyllgor Newid Hinsawdd, yr Amgylchedd a Seilwaith /
Climate Change, Environment and Infrastructure Committee
Blaenoriaethau ar gyfer y Chweched Senedd / Priorities for the Sixth Senedd
PR95

Ymateb gan RWE / Evidence from RWE

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Introduction

RWE is pleased to input into the priorities of the Climate Change, Environment, and Infrastructure Committee. The Welsh Government's legal commitment¹ to achieve Net-Zero by 2050 and the creation of a new Climate Change "super-ministry"² provides a robust platform to seize the opportunities of the clean energy transition.

RWE welcomes the priorities of Ministers in their joint letter,³ and to support the drive towards Net-Zero, we believe that the Committee should focus attention onto policy areas that can allow the removal of barriers to the wider deployment of renewables.

List of Recommendations

- ***Recommendation 1: Examine how the Welsh Government can work with UK Government, Ofgem, Distribution Network Operators and other partners to deliver a costed plan for the upgrading of Wales' grid infrastructure.***
- ***Recommendation 2: The Committee should assess how the Welsh Government can ensure that its evolving policies link to a more coordinated offshore grid approach, and prevent connection issues for offshore and floating wind farms (e.g. that other areas of the UK have experienced).***
- ***Recommendation 3: Consider policy and regulatory approaches that ensure the timely deployment of renewables and complimentary technologies more generally in Wales.***
- ***Recommendation 4: Examine policy approaches that can remove barriers to allow the successful and timely deployment of Welsh offshore and floating wind This includes a consideration of manufacturing and supply chain capabilities.***
- ***Recommendation 5: To facilitate new energy opportunities in Wales, the Committee should hold an inquiry to examine Wales' industrial decarbonisation and the potential role of hydrogen in lowering emissions.***

¹ [Welsh Government](#) (February 2021)

² [Welsh Government](#) (June 2021)

³ [Julie James MS and Lee Waters MS to Llyr Gruffydd MS](#) (July 2021)



About RWE

RWE is a leading global energy player, producing around 12% of the UK's electricity with a [portfolio](#) of onshore/offshore wind, hydro, biomass and gas across Great Britain. In Wales, over the last decade, we have invested over £3bn into our Welsh energy projects, making RWE Wales' largest electricity generator, with involvement in almost 1GW of renewable power. In operating these projects, we employ around 200 people, with offices in Baglan, Llanidloes, Dolgarrog, and Port of Mostyn, as well at our power stations.

RWE has contributed around £10m to neighbouring communities from funds associated with our renewable energy sites in Wales. Welsh annual community funding alone amounts to over £2.4m, whilst our Gwynt y Môr offshore wind project makes an estimated annual economic contribution of £8m to its local economy.

At RWE, we are determined to ensure that Wales can play an important role in the next phase of the UK offshore wind growth story. If consented, RWE's Awel y Môr Offshore Wind Farm in North Wales presents the country with a once in a decade opportunity. The project is Wales' only commercial-scale offshore wind development that will be delivered in the 2020s. Alongside this, we also have a pipeline of c.150MW of onshore wind projects which are being developed in North and South Wales and we are at the vanguard of delivering shared ownership.

RWE also owns the 2.2GW Pembroke Power Station, a highly efficient, state-of-the-art gas-fired power station, providing firm, flexible capacity and contributing an estimated £20m per annum to the local economy. Pembroke is working to deliver a transformation programme as part of a new decarbonisation hub - [the 'Pembroke Net-Zero Centre' \(PNZC\)](#) - linking with new innovative technologies needed for the delivery of a low carbon future. We believe that efforts through the PNZC, including the development of hydrogen production opportunities, Carbon Capture and Storage and floating offshore wind, demonstrates RWE's commitment to the decarbonisation of Wales long-term.

RWE stands ready to support the Welsh Government and our partners in the Senedd to further drive the deployment of renewable energy in Wales. We hope the Committee finds our recommendations useful and are more than happy to discuss any of our recommendations set out in this document. For information on our footprint in Wales, please see our RWE in Wales [website](#) and infographic [here](#).

Yours sincerely,

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SUBMISSION

1. ***Recommendation 1: Examine how the Welsh Government can work with UK Government, Ofgem, Distribution Network Operators and other partners to deliver a costed plan for the upgrading of Wales' grid infrastructure.***
 - 1.1 In Wales, electricity networks are ill-equipped to accommodate additional renewable generation needed to deliver the energy transition, especially in Mid-Wales. This presents a critical challenge for delivering renewable power to end users and threatens Wales' ambition for a low carbon economy and the achievement of its 2050 Net-Zero target.
 - 1.2 There is an urgent need for Welsh grid capacity upgrades if the expansion of renewable power is to take place. **We recommend this be an area of explicit attention for the Committee – this remains the most critical barrier to renewable energy projects in Wales.** The scarcity of cost-effective electricity network capacity is the largest single constraint preventing the deployment of additional renewable generation. The absence of grid infrastructure, connection delays, increased costs and uncertainty about connection locations across Wales are unnecessarily limiting or are delaying some projects. Mid-Wales has excellent wind resources that would be highly suitable for development, but for the absence of transmission grid infrastructure. Additionally there are concerns about the availability of transmission grid to facilitate large-scale deployment of offshore wind in the Celtic Sea beyond the first rounds of innovation / early-commercial scale projects. **Wales urgently requires a coherent and costed plan for the upgrading of its grid infrastructure to enable full decarbonisation and support its renewable energy targets.**
 - 1.3 There are challenges in terms of the powers reserved by Westminster in relation to electricity transmission infrastructure. However, **we urge the Committee to review how the Welsh Government, in partnership with the UK Government, Distribution Network Operators, National Grid and Ofgem can come together to the delivery of strategic anticipatory grid upgrades across Wales, especially in Mid-Wales.**
 - 1.4 Consideration should also focus on the demand-side which is likely to increase due to EV roll-out, heat pumps and electrolytic hydrogen. There is an assumption that Wales' 2030 targets will largely be achieved through further decarbonisation of the electricity supply (which is already the sector where most progress has been made) - however it is difficult to see how Wales can achieve the roll-out of renewable electricity generation required to meet 2030 targets without a significant change on grid infrastructure. **Welsh Government could do more to resolve grid obstacles in Mid-Wales, for example 'no regrets' funding of grid consenting in Mid-Wales would open up renewable development opportunities.**
2. ***Recommendation 2: The Committee should assess how the Welsh Government can ensure that its evolving policies link to a more coordinated offshore grid approach, and***



prevent connection issues for offshore and floating wind farms (e.g. that other areas of the UK have experienced).

2.1 RWE is pleased that Welsh Government is involved with the UK Government's discussions regarding the Offshore Transmission Network Review (OTNR). The Review is an opportunity to consider a strategic approach to facilitating grid and the connections strategy for offshore wind to enable the even larger volumes of offshore wind needed to hit Net-Zero by 2050. Anticipatory investment in strategic grid solutions on and offshore is needed to ensure that offshore wind in Wales minimises any unavoidable environmental and local community disruption and that infrastructure is delivered economically.

2.2 **The Committee should work to both scrutinise and encourage Welsh Government to ensure its evolving policies consistently link to the need for a more coordinated offshore grid approach.** This is particularly important in light of the Irish Sea being a key zone for the development of extension projects, Round 4 sites and floating wind projects.

3. Recommendation 3: Consider policy and regulatory approaches that ensure the timely deployment of renewables and complimentary technologies more generally in Wales.

3.1 RWE supports Wales' 2050 emissions target and approach to reducing carbon emissions through renewable generation, reducing energy from unabated fossil fuel use, and from local energy projects. The setting of targets, including Wales' goal to see renewable generation cover 70% of electricity by 2030, provides confidence to industry to invest.

3.2 We concur with Ministers and the priorities set out in their letter which recognise that energy generation in Wales will need to transition to account for Net-Zero. For the Committee to deliver effective scrutiny during this new Senedd term, we recommend focusing on how renewable energy deployment can be accelerated to underpin Welsh decarbonisation. We believe the following issues should be given particular consideration:

3.2.1 Most of the bigger onshore wind opportunities are on the Welsh Government's forest estate (managed by NRW) and they infrequently tender for the opportunity to develop projects on these sites. There is scope here to speed up the pace at which invitations to tender for renewable energy developments are offered – this should be done for all sites (much like the recent Forestry Land Scotland tender) as opposed to the piecemeal 'one site at a time' approach seen in recent years.

3.2.2 NRW's statutory consultee function needs to be adequately resourced to ensure they are equipped to play their role in the swift transition to Net Zero. Recent experience with NRW's statutory consultee function suggests it is severely under-

resourced to provide the timely and substantive advice required to drive renewable energy projects forward.

- 3.3 More broadly, collaboration between Welsh Government and the UK Government is essential to ensure Wales achieves Net-Zero. As the Climate Change Committee (CCC) and Ministers have recognised, the majority of Welsh decarbonisation powers lie in the hands of UK Government, with energy policy a reserved power. **Therefore, the Committee should consider scrutiny of how Welsh Government is collaborating to compliment the work of UK Government, to address associated challenges with regard to facilitating renewable electricity.**
- 3.4 RWE welcomed the UK Energy White Paper's 2020 proposal to establish a **Ministerial Delivery Group to oversee the expansion of renewable power in the UK and have argued that his Group would benefit from an inter-governmental remit with Welsh Ministers and Government participating from the start. This was picked up as a recommendation by the House of Commons Welsh Affairs Committee. We call on the Committee to encourage this group to meet regularly and for discussions and actions relevant to Wales discussed in meetings to be shared with the Senedd.** Through this forum, Welsh Ministers could raise strategic issues such as the Celtic Sea, future grid requirements and marine licensing matters (see Recommendation 4 section below) that need to be resolved to see the potential of Welsh renewables unlocked.
- 3.5 **The pace at which invitations to tender for renewable energy developments are offered on the Welsh Government's forestry estate needs to be accelerated.** We encourage the Committee to call for the delivery of more renewable energy schemes, where appropriate, on forestry and other land owned by the Welsh Government, which would also benefit the Welsh Government Treasury via royalty payments.
- 4. Recommendation 4: Examine policy approaches that can remove barriers to allow the successful and timely deployment of Welsh offshore and floating wind This includes a consideration of manufacturing and supply chain capabilities.**
- 4.1 There is significant further potential for new offshore wind in Wales. A 2018 Carbon Trust⁴ report for the Welsh Government noted that 2GW of additional wind power could be delivered by 2-3 new offshore wind projects, if site extensions and new leases can be secured, alongside grid connections. A Welsh consenting regime with clear decision-making timescales is required to ensure that any risk of programme delay is minimised for wind projects progressing through to their application to the UK Government's Contracts for Difference funding auction.
- 4.2 Welsh Ministers in their letter to the Committee state that "the devolved planning system is one of our greatest levers in driving changes across Wales" however, compared to projects in other parts of the UK, those in Welsh waters face increased

⁴ [Carbon Trust](#) (2018)

consenting risk and a competitive disadvantage. Unlike in England, Welsh Marine Licenses are not deemed under a Development Consent Order (DCO) but are determined separately. There is no clear timetable by which Natural Resources Wales (NRW) must determine Marine Licenses for DCOs. **We urge the Committee to examine how NRW and the Welsh Government can work to address this issue. Increased resourcing for NRW, greater collaboration between the Planning Inspectorate (PINS), the Department for Business, Energy and Industrial Strategy (BEIS) and NRW, and a programme for delivery and clear timeframes could greatly accelerate offshore wind deployment in Welsh waters.**

- 4.3 **We also encourage the Committee to examine how Welsh Government can collaborate with the UK Government and with developers to ensure that there are adequate seabed leases available from The Crown Estate in Welsh waters at an appropriate scale to deploy projects.** Securing a pipeline of leases alongside grid infrastructure commitments will give Wales the best chance to develop manufacturing scale and expertise to lead a growing global offshore wind market.
- 4.4 **Noting that the Celtic Sea has significant potential for developing floating wind, we further recommend the Committee examine how Wales can reap the benefits of this emerging technology. The Committee should encourage Welsh Ministers alongside the UK and Irish Governments, to consider developing an overarching economic strategy for the Celtic Sea, taking a strategic view of the potential for offshore renewable developments, as well as the potential role of green hydrogen as an energy vector for some projects.** This could include a cross-border enterprise zone to facilitate trade and investment. Whilst development of renewables at scale in the Celtic Sea is not likely for another 10 years, such an approach could accelerate developments in complementary sectors such as oil and gas, hydrogen, CCUS, interconnectors and ports.
- 4.5 **For floating wind, a more ambitious proposal for deployment in Welsh waters is recommended.** The current UK ambition for floating wind to 2030 is 1GW. RWE believes 2-3GW is more appropriate and Welsh Government should consider what proportion of this could be developed in Wales and should consider setting its own independent target.
- 4.6 RWE also agrees with Ministers that infrastructure investment creates “the conditions for increased and sustainable growth in the medium and longer term.”⁵ There is a need for infrastructure upgrades to facilitate Wales’ offshore energy sector. **The Committee should review how the Welsh Government can invest in infrastructure that delivers a renewables-powered Net-Zero, for example delivering port upgrades and assessing sites that are suitable for manufacturing or component assembly.** Specifically, the Welsh and UK Governments should work with developers and port operators to identify appropriate sites for investment to ensure port infrastructure is available in Wales to support at-scale floating wind deployment in the 2030s.

⁵ [Julie James MS and Lee Waters MS to Llyr Gruffydd MS](#) (July 2021)

4.7 Policies for enhancing socio-economic and supply-chain opportunities are also key, including local port development (solidifying the attractiveness of the region for offshore renewables, hydrogen and other energy types); working to attract manufacturers and energy-related services to Wales; and supporting opportunities for repurposing to further build on Wales' existing capabilities. Other parts of the UK have been successful in attracting manufacturers and other higher tier supply chain companies and we wish more of the same for Wales. To assist with this, we also urge Welsh Government to support more initiatives like [The Offshore Energy Alliance](#) (offshore wind supply chain cluster for North Wales & The North West) through funding, collaboration and resourcing to help ensure socio-economic benefits are realised locally.

5. Recommendation 5: To facilitate new energy opportunities in Wales, the Committee should hold an inquiry to examine Wales' industrial decarbonisation and the potential role of hydrogen in lowering emissions.

5.1 RWE agrees with Welsh Ministers, "hydrogen is a nascent but very promising technical solution to some of our decarbonisation challenges."⁶ We expect hydrogen to be pivotal in Wales' future energy system with its firm flexible role to provide local energy to cover prolonged periods when there is inadequate renewable energy production/storage. Wales' natural, renewable resources will also facilitate 'green hydrogen' to provide huge opportunities and could play an important role in the wider decarbonisation of Wales.

5.2 Following the publication of the UK's Hydrogen Strategy⁷ and given the commitment by the Welsh Government to publish a response to their Hydrogen Pathway consultation in Q3 2021,⁸ **RWE recommends that the Committee hold an inquiry to examine the potential of hydrogen in Wales to bolster industrial decarbonisation efforts.** The infrastructure created will provide local jobs and the risk of Wales not developing its own hydrogen base could be the potential loss of associated high quality green employment and industry to other areas, especially the North East of England.

5.3 An inquiry by the Committee may wish to consider the following actions:

5.3.1 **Whether there are areas of Wales that will be specifically challenging to decarbonise using hydrogen and what policy measures may be required in these places.**

5.3.2 **What further steps Welsh Government can take to support the technology's development.** RWE recommends consideration of a **Ministerial Statement in support of hydrogen in Wales; a review of Welsh planning requirements to ensure they enable suitable developments; consideration of demand-side measures that can be taken by the Welsh Government and potentially, a Welsh domestic target**

⁶ [Julie James MS and Lee Waters MS to Llyr Gruffydd MS](#) (July 2021)

⁷ [Department for Business, Energy and Industrial Strategy](#) (August 2021)

⁸ [Welsh Government](#) (January 2021)

for hydrogen production. These measures will help to further bolster industry's confidence to invest in Welsh hydrogen production.

- 5.3.3 An inquiry should also consider how the Welsh Government's proposed hydrogen pathway will align with wider hydrogen policy and incentive measures being put in place at a UK level. **Welsh Government should work with Westminster to ensure appropriate regulations and mechanisms are in place to support green hydrogen production in Wales.**
- 5.3.4 With the UK Government having published a new consultation⁹ on a business model for low carbon hydrogen, **we would urge the Committee through an inquiry process and Welsh Government to be supportive of a framework based on similar principles to the wind power Contracts for Difference process.** The new business model must be in place as soon as possible, no later than end-2022, so investors can begin deployment.
- 5.3.5 **The Welsh Government (alongside the UK Government) should encourage Welsh industry's decarbonisation through support for and promotion of the work of the South Wales Industrial Cluster (SWIC).** Project partners are looking to develop and deploy technologies such as hydrogen and carbon capture and storage (CCS) in our Pembroke Net-Zero Centre, where there is potential for shared infrastructure.

⁹ [Department for Business, Energy and Industrial Strategy](#) (August 2021)