

National Assembly for Wales
Environment and Sustainability Committee
NRW 2015 – 42
Natural Resources Wales – Annual Scrutiny 2015
Response from Valero Energy Ltd



Valero Energy Ltd
Pembroke Refinery
Pembroke
Pembrokeshire
SA71 5SJ
Tel +44 (0)1646 641331

Mr Alun Ffred Jones AM
Chairman
Environment and Sustainability Committee
c/o Committee Clerk
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Our Ref: ET/WJ/1501

8th April 2015

Re: National Assembly for Wales Environment and Sustainability Committee Consultation – Natural Resources Wales (NRW) Annual Scrutiny 2015

Dear Mr Chairman,

1. About Valero

1.1. Valero Energy Ltd owns and operates Pembroke Refinery in south west Wales, as well as six terminals across the UK, and the Mainline Pipeline which links Pembroke with the Manchester and Kingsbury terminals. Valero markets fuel in the UK and Ireland under the Texaco brand, with around 850 independently owned and operated Texaco-branded service stations in the UK. In total, Valero employs approximately 800 people in the UK and supports several thousand other jobs at the refinery, terminals and service stations.

1.2. We therefore welcome the opportunity to respond to the Environment and Sustainability Committee's examination into the performance of Natural Resources Wales (NRW), particularly with regard to its impact on the energy sector in Wales.

2. Engagement

2.1. Valero welcomed the creation of NRW in April 2013, stating in our response to Welsh Government's 2012 consultation that "Valero welcomes any efforts that aim to streamline and simplify oversight mechanisms and which assist in our efforts to maintain our record of compliance with the Welsh Government's environmental regulations. The emphasis... on the removal of organisational boundaries, allowing for a single point of entry and simplification of discussions between the agency and stakeholders... is a development which Valero appreciates and looks forward to utilising."

2.2. Since 2013 Valero has benefitted from positive levels of engagement with NRW officials, particularly at the site inspector level. Valero previously enjoyed positive and proactive relationships with NRW's predecessor bodies, the Environment Agency Wales (EAW) and the Countryside Council for Wales (CCW); we welcome the continuity in professionalism from our site inspectors since 2013, and the continued willingness of site inspectors to engage with us on adopting an approach that satisfies both Valero and NRW.



Valero Energy Ltd
Pembroke Refinery
Pembroke
Pembrokeshire
SA71 5SJ
Tel +44 (0)1646 641331

2.3. This positive experience of day-to-day interaction with NRW has been replicated by the engagement Valero has received from senior NRW personnel. NRW Board members and executive team have consistently displayed a willingness to conduct positive outreach to discuss industry-wide issues and develop key corporate relationships.

3. Resources

3.1. We do, however, have growing reservations that NRW's effectiveness is being impacted by a lack of access to its own technical resources and an overreliance on other organisations. Whilst the transition from the previous three organisation model to one single body has understandably necessitated short-term disruption, Valero has formed a distinct impression recently that NRW is unable to take decisions tailored specifically for Welsh installations because of their dependence on the Environment Agency (EA).

3.2. Until NRW has built its own resources to a self-sufficient and independent level, or data sharing arrangements between NRW and the EA are improved, Valero feels that there is an increasing potential for a divergent level of service quality for industry in Wales than that experienced by stakeholders in other parts of the UK. The implications that this could have on industry confidence and economic development in Wales is potentially significant.

3.3. The extent to which resource issues are having on the direction and decision-making abilities of NRW policy is unclear; however, Valero's experience suggests that differences of approach within the hierarchy of NRW on a number of policy issues affecting Valero's core business here in Wales could be a symptom of the aforementioned disconnect between NRW's priorities and the needs of Welsh industry.

3.4. Valero is not able to independently determine the cause of these issues. Nevertheless, a solution is vital to ensure the continuation of industry confidence in NRW's abilities to carry out its functions.

4. Policy and Corporate Priorities

4.1. On the detail of NRW policies as they relate to the Welsh oil refining sector, Valero again appreciates continued positive engagement with NRW officials, particularly at the site inspector level. Nonetheless, we feel more could be done when implementing policy to instil an attitude of flexibility and compromise that meets NRW's statutory obligations whilst protecting and enhancing economic indicators. A great deal of effort is expended by Valero in encouraging NRW to adopt a reasonable and constructive approach to the use of regulatory powers when implementing natural resources policies.

4.2. This includes, but is not limited to, issues such as implementation of new emissions standards as a result of the Industrial Emissions Directive (IED), – including the guidance Valero is receiving from NRW on what best available technology Pembroke Refinery needs to install to meet those standards and the delivery timeframe for their installation – and the potential redefinition of groundwater MATTE under the COMAH Regulations 2005. The potential capital costs for Valero from IED implementation and groundwater redefinition are considerable, with a significant impact on the overall long-term viability of the Welsh oil refining sector.

4.3. Discussions with NRW on IED implementation are ongoing; nonetheless the challenge remains to ensure natural resources policy is not implemented in a way the undermines business development in Wales' oil refining industry, which is under considerable pressure at this time, with the Pembrokeshire energy sector facing difficult global competition as well as extensive regulatory requirements in the UK.

4.4. This has been a repeated observation made by Valero since NRW's creation in 2013, not least in our response to NRW's 'Planning our Future' consultation, which set the direction for NRW and formed the basis of its corporate priorities for the 2014-2017 Corporate Plan. In that response we noted the positive commitment by NRW to developing enterprise opportunities, however were disappointed by the lack of reference to the importance to the Welsh economy of energy intensive industries, such as oil refining.



Valero Energy Ltd
Pembroke Refinery
Pembroke
Pembrokeshire
SA71 5SJ
Tel +44 (0)1646 641331

4.5. As we stated then, and are happy to repeat now, “Valero would feel encouraged if NRW outlined its approach to supporting major industries... which plays such an outsized role in Wales’ economy.... The NRW Corporate Plan needs to include a more balanced set of proposals for supporting all sector businesses that NRW engages with in Wales, including heavy industry such as oil refining, if it is to truly support the aim of making Wales a destination of choice for inward investment and economic development.”

6. Conclusion

6.1. Since the creation of NRW in 2013 we have consistently encouraged legislative and regulatory stakeholders to adopt a sympathetic understanding of the needs of businesses to be able to operate in Wales, whilst working collaboratively to ensure Valero fully complies with the necessary environmental regulations. For Wales to fulfil its stated aim of creating a positive environment to do business, we feel this sentiment needs to be reinforced at every available opportunity. Valero looks forward to the Environment and Sustainability Committee’s consideration of these points and hope they will add to a very important and ongoing debate.

6.2. Once again, Valero is incredibly grateful for the opportunity to air our views in this important debate, and we would be delighted to provide any further details at the committee’s request.

Yours sincerely,

Edward M Tomp
Vice President and Refinery General Manager