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Marine Energy Task and Finish Group

Thank you and all members of the Marine Energy Task and Finish Group for your report and recommendations. The Group is to be commended on this work.

The Welsh Government recognises marine and tidal projects can be catalysts to secure long-lasting legacy benefits for Wales, and indeed the UK, by securing environmental, economic and social benefits. Securing such a legacy requires co-ordinated action and strategic approaches by both public and private sectors.

Therefore, I welcome the Report's core theme of seeking a more integrated approach in terms of policy, leadership and support. The current lack of clarity in UK Energy policy means it is essential we work together in Wales, across both public and private sectors, to maximise prosperity as well as to deliver our decarbonisation aim.

The Welsh Government recognises the role it has to play in helping to grow a vibrant Welsh marine sector. We will continue to work with the industry to progress the Report's findings. In parallel, we look to the marine energy sector to take responsibility for delivering a number of the Report's recommendations. We, therefore, welcome the industry's commitment to push forward with Marine Energy Wales as a focal point for promoting Wales, its resources and this growing industry.

We have considered the Report on a cross-Government basis. The Report will help inform policy development and delivery and will also provide a solid foundation upon which future work, action and collaboration can be taken forward. I attach a copy of the Welsh Government's response to the key themes in the report.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

With the presentation of the final report, I am now formally concluding the work of the Marine Energy Task and Finish Group and wish to thank you once again for all of your efforts in preparing this report.

Lesley Griffiths AC/AM

Ysgrifennydd y Cabinet dros yr Amgylchedd a Materion Gwledig
Cabinet Secretary for Environment and Rural Affairs

Welsh Government response to the Marine Energy Task and Finish Group's Report -*Unlocking the Energy in our Seas*

LEADERSHIP

The Welsh Government's new Programme for Government, *"Taking Wales Forward"*, sets out our five year programme to drive improvement in the Welsh economy and public services. As part of this vision, we are committed to supporting the marine energy industry which will contribute to delivering our ambitions to increase renewable energy deployment and create a low carbon economy for Wales.

The cornerstone of our work to support the development of marine energy is the cross-government work that we are undertaking in relation to marine planning. The Welsh Government is in the process of developing a Welsh National Marine Plan and has published an initial draft. The plan provides the framework for the sustainable use of marine resources for the inshore and offshore marine areas over the next 20 years.

We are working with industry and others to ensure the plan supports sustainable economic development in the marine environment (blue growth) including making provision for marine renewable energy. The plan will aim to ensure proportionate and risk-based consenting decisions. The plan will also identify areas for future use, and include policies to support and safeguard areas already consented or allocated for development from activities that may constrain the growth of the marine renewable energy sector.

We will be working to ensure marine planning aligns with and influences the developing National Development Framework and vice versa. Understanding and planning for land-sea interactions through planning, as well as aligning wider plans and strategies, will be important in supporting future growth.

We will continue to support the industry by taking opportunities to promote Wales at national and international events. The Welsh Government recognises the need to champion Wales and help to instil investor confidence in this exciting sector. Our funding of Marine Energy Pembrokeshire's outstanding work is already supporting its transition to Marine Energy Wales. This is recognised by industry as a much needed voice for promoting Wales.

In the Welsh Government's response to the UK call for evidence on Tidal Lagoons, we reinforced the importance of ensuring this emerging industry received appropriate financial support and is allowed to develop to its full potential. Reducing funding to the wave and tidal stream sectors risks undermining investor confidence and stopping development at the point where technologies are primed for deployment and a commercialisation pathway can be defined. The Welsh Government's evidence will be available once the UK Review is published.

JOBS AND GROWTH

Labour forecasting and skills requirements studies

The Welsh Government published two reports in July this year covering potential skill gaps in the marine energy sector. Both of these were directly related to Swansea Bay Tidal Lagoon project but they have provided useful information in relation to the marine energy industry in Wales and understanding the challenges ahead for industry to take advantage of this emerging technology.

The construction report suggested that Wales was in a good position to derive benefits from proposed projects although there were some skills gaps identified in several occupations. In particular, construction project managers, specialist building operatives, plant operatives, logistics-related occupations and maritime occupations were noted as areas of concern. The construction report contains a series of recommendations for Welsh Government, Tidal Lagoon Power and other stakeholders to address these issues.

The manufacturing report suggested Wales would be able to take advantage of a sizeable portion of the manufacturing work associated with the development of the proposed lagoon but some elements of the manufacturing requirements do not exist in Wales and investment would be required. Wales has the capability to provide around half (54%) of the manufacturing needs and the assembly of the main components. However, the study notes that with sufficient investment, the capacity could in theory expand to provide 92% of the activities.

The Welsh Government has established three Regional Skills Partnerships (RSPs)(<https://businesswales.gov.wales/skillsgateway/regional-skills-partnerships>) covering South West and Mid, South East, and North Wales respectively to assist the Welsh Government to steer skills provision to the needs of the labour market. The RSPs role is to help align Wales' skills provision to labour needs in each region to allow industry to be better prepared and able to take advantage of the opportunities. These reports will assist in that process.

The Welsh Government is actively looking at cross government opportunities to connect the common needs of energy projects. Skills, supply chain support, investment, research and innovation will be linked across projects such as nuclear and potential lagoon developments to maximise benefits for Wales. These opportunities for supply chain businesses are already encouraging companies to collaborate to compete for contracts. For instance, the alliance of supply chain companies which was recently formed by engineering companies based in and around Pembroke Dock will enhance their competitiveness when bidding for larger contracts, thus helping to retain economic benefits in some of the most deprived areas of Wales.

FINANCE AND FUNDING

EU funding

We have secured over one hundred million Euros (*€100.4 million*) of EU funds to invest in innovative developer led wave and tidal stream projects to help develop the industry. EU funding through WEFO has already been approved for 3 marine energy technology projects and more are expected in the coming months. The Swedish firm Minesto in Anglesey, Swansea based Marine Power Systems and Wave-Tricity in Pembroke Dock have all secured EU funding to develop their marine technologies in Wales. This is clearly a significant signal to the industry that Wales is serious about developing a leading marine energy capability.

The two Demonstration Zones, wave off Pembrokeshire and tidal off the Anglesey coast, will remove significant barriers faced by project developers and reduce the cost of deployment. They also offer a unique opportunity as they could be the only sites in the UK with multiple array technologies deployed alongside each other. The potential for identifying, and then solving, common balance of plant challenges across technologies is hugely enhanced by their proximity. We believe an UK centre of excellence can be established and we can provide input through our strong engineering and environmental innovation and R&D capabilities in Wales to tackle these challenges.

The UK Treasury has recently agreed to underwrite European Funding commitments to all projects within existing programmes that have been approved prior to the date that the UK actually leaves the European Union. This means that if there are any projects continuing their delivery phase as the UK exits the EU, which is the point at which Wales can no longer draw down European Funding, then the UK Treasury will replace that funding pound-for-pound.

It is too early to understand what funding will be available beyond the current programmes as this will be determined on a UK basis, and will form part of the UK-wide discussions on how regional funding will be planned and implemented in future years.

The Welsh Government has written to the UK Government highlighting the importance of providing the appropriate financial support to the marine and wave industry.

CONSENTING AND LEASING

The devolution of energy consents, as proposed in the Wales Bill, offers some potential for consenting and licensing regimes to be aligned and we will be taking this work forward once the Bill is enacted and the powers are clear. Following this, we will give further consideration to streamlining and aligning the regulatory regimes and encourage joined-up working where we can, without compromising process requirements or decision making functions.

It is also critical that developers do as much of the up-front evidence (including environmental evidence), engagement and analysis work as possible prior to triggering the formal planning process.

RESEARCH AND DEVELOPMENT

Energy developments have the potential to impact on the marine and land-based environment in Wales. For this reason, the Welsh Government has put significant resource into understanding the marine environment and building the evidence base needed to make informed decisions on developments. We are supported in this by Natural Resources Wales, who have both an advisory and regulatory role in relation to the environment and natural resources. The Welsh Government expects that such developments would be delivered in a way that contributes towards enhanced wellbeing in Wales, ensuring that benefits derived from our natural resources are retained within Wales.

Sustainable Expansion of the Applied Coastal and Marine Sectors (SEACAMS) have recently received further EU funding. Almost £12m will support Bangor University's £17m SEACAMS 2 project which aims to support the expansion of Wales' marine energy sector over the next four years. Experts at Bangor and Swansea universities will provide specialist research and development programmes to help businesses exploit commercial opportunities and create new products and patents. The project aims to create new enterprises in the sector and accelerate job creation in existing businesses.

The Offshore Renewable Energy Catapult is hoping to win EU funding to create a marine energy engineering centre of excellence to overcome some shared industry challenges, working with developers, the supply chain and academia. This will help to enhance the supply chains' skills, focus funding on balance of plant. Based in Pembroke Dock, a centre of excellence would support, enhance and ensure a strong future for the emerging Marine Energy Engineering cluster in and around the Haven Waterway. It would be a strategic and

integrated partner for the Marine Energy Test Area (META), bringing Catapult's sector knowledge and engineering expertise to bear on META's development and delivery.

A £10M, 5-year programme, centre of excellence could employ up to 20 people over its initial 5-year existence. It would help to establish Pembroke Dock as a key base for Marine Energy projects in Welsh waters and the Irish Sea. Through collaborative innovation projects with the supply chain, it will support manufacturing and installation capacity, and Operations & Maintenance expertise and capacity. The Welsh Government is working closely with the Offshore Renewable Energy Catapult, which is currently considering establishing a wholly-owned subsidiary as the vehicle for a centre of excellence, and a number of projects are also being considered to be delivered through this subsidiary.

INFRASTRUCTURE

The Welsh Government is committed to continue our close engagement with OFGEM, National Grid and the Distribution Network Operators to gain further knowledge of the grid and to develop a strategic approach to grid capacity and improvement. OFGEM recently hosted a workshop in Wales to feed into their work on future energy scenarios. As part of their support for innovation development, OFGEM has approved an innovation competition funding in North Wales of over £13m which seeks to help address capacity issues and improve management control of the network in Anglesey. The project is in its infancy but research highlighted there could be a potential benefits from this work to the marine energy sector. The Welsh Government also works closely with organisations such as Energy Research Partnership (ERP) and Energy Systems Catapult, The Catapult recently produced a report on Future Power Systems Architecture: <https://es.catapult.org.uk/news/report-outlines-need-for-transformative-change-to-respond-to-the-challenges-of-the-energy-trilemma/>.

The Welsh Government recognises the challenge to the private sector of delivering grid infrastructure and connections in support of marine sector developments which have yet to prove their long term commercial viability and the stable revenue generation necessary to underpin traditional infrastructure investment funding. Whilst fundamentally a private sector and project specific issue, we will be open to discuss how the Welsh Government could help de-risk such investments where such a need can be justified.

The capability that exists within the Welsh technology and manufacturing sectors is wide-ranging and globally competitive and we agree we need to capture and make the most of these capabilities. For example, Wales is home to a large number of oil and gas companies with 25% of the UK's fuel supply passing through the Port of Milford Haven. These companies are keen to collaborate and to explore opportunities relating to the marine energy sector. Coupled with Wales's unbeatable natural assets and deep sea ports it means our marine energy sector is growing fast and is equipped to support renewable projects. The Welsh Government will work with Marine Energy Wales to ensure we make the most of the expertise and knowledge.

Wales' universities are working with the marine energy sector to develop new technologies to help build on foundations to deliver against the challenges and opportunities ahead. One recent example is the Marine Energy Hub which has been set up in Pembrokeshire through a joint initiative between Marine Energy Pembrokeshire (MEP) and the Port of Milford Haven. The hub is located on the doorstep of one of the world's best marine energy resources and is a dynamic worksite where marine energy companies can come together and share space, facilities and knowledge to unlock the sector's full potential.

MARKETING AND COMMUNICATIONS

We are fully committed to supporting this industry and will continue to attend high profile events to ensure Wales is selling itself as a global leader on deployment of marine technology. We will work with Marine Energy Wales to develop a communication strategy to focus our resources on key events.