



Climate Change, Environment and Infrastructure Committee

Evidence paper on Draft Budget 2025-26 – Economy, Energy and Planning Main Expenditure Group (MEG)

08/01/2025

This paper provides information to the Climate Change, Environment and Infrastructure (CCEI) Committee on the Economy, Energy and Planning Main Expenditure Group (MEG) proposals outlined in the draft Budget 2025-26, published on 10 December 2024. It also provides an update on specific areas of interest to the Committee.

Contents

1. General	3
2. Legislation	7
3. Climate Change	8
4. Energy and energy efficiency	9
5. National Infrastructure Commission for Wales (NICW)	11
6. Ports and Airports	12
7. Summary	13

1. General

Budget Priorities

The table below provides an overview of the Energy, Cardiff International Airport and Planning budget expenditure lines within the Economy, Energy and Planning MEG plans as published in Draft Budget 2025-26 on 10 December. This confirms an increase in fiscal resource (revenue including non-cash) of £8.9m and no changes to capital compared to the 2025-26 revised baseline.

The baseline used for the 2025-26 Draft Budget is the 2024-25 Final Budget (restated September 2024) adjusted for recurring baseline adjustments for 2024-25 to support 2024-25 public sector pay award and increases to pension contributions from April 2024 due to a change in rate called Superannuation Contributions Adjusted for Past Experience (SCAPE). There are further baseline adjustments associated with non-recurrent funding for Financial Transactions (FT) Capital.

Our funding decisions in this draft budget have been underpinned by our government priorities. How we deploy our resources is key for maximising delivery. Our priorities for Economy, Energy and Planning are clear: We want to create green jobs that grow the economy, tackle the climate crisis and restore nature, while making families better off; and accelerate planning decisions to grow the Welsh economy.

RESOURCE BUDGET			£'000				
Action	BEL No.	BEL Description	Plans as per 2024-25 Final Budget Restated September 2024	Baseline Adjustments for 2025-26	2025-26 Revised Baseline	Changes	2025-26 Draft Budget December 2024
Energy Efficiency	1280	Green Energy	3,297	10	3,307	5,150	8,457
	3772	Ynni Cymru	2,470	0	2,470	0	2,470
	Total Energy Efficiency		5,767	10	5,777	5,150	10,927
Cardiff International Airport	1240	Cardiff International Airport	-3,000	0	-3,000	0	-3,000
	Total Cardiff International Airport		-3,000	0	-3,000	0	-3,000
Planning and Regulation	2256	Planning and Environment Decisions Wales	2,997	71	3,068	1,900	4,968
	2250	Planning & Regulation Expenditure	1,999	6	2,005	1,841	3,846
	Total Planning and Regulation		4,996	77	5,073	3,741	8,814
Total Resource Budget			7,763	87	7,850	8,891	16,741
CAPITAL BUDGET			£'000				
Action	BEL No.	BEL Description	Plans as per 2024-25 Final Budget Restated September 2024	Baseline Adjustments for 2025-26	2025-26 Revised Baseline	Changes	2025-26 Draft Budget December 2024
Energy Efficiency	1280	Green Energy	17,200	-4,800	12,400	0	12,400
	3772	Ynni Cymru	10,000	0	10,000	0	10,000
	Total Energy Efficiency		27,200	-4,800	22,400	0	22,400
Cardiff International Airport	1240	Cardiff International Airport	1,783	0	1,783	0	1,783
	Total Cardiff International Airport		1,783	0	1,783	0	1,783
Total Capital Budget			28,983	-4,800	24,183	0	24,183

To support our priorities, we have prioritised funding for 2025-26 in this budget:

- An **additional £5m** is allocated to support our green energy, to enable development of new renewable energy projects and local energy projects in Wales. This investment will help support emission reduction across Wales and support growth in our local economy.
- Accelerating infrastructure planning decisions are key to enable the economy to grow and thereby we are investing an **additional £3.741m** in this area. The additional funding will provide Planning and Environment Decisions Wales and Planning Directorate with the resources necessary to increase capacity to deal with the growing number of infrastructure applications in a timely way.
- Our funding for the Welsh Government Energy Service provides critical advice and support to public bodies as they work towards our shared ambition of a net zero Welsh public sector by 2030.

A detailed explanation of how the draft budget reflects commitments made in prior financial years [with reference to the Committee's report on the 2024-25 draft budget]—

We have taken into consideration the recommendations in the Committee's report from the Draft Budget 2024-25, and we continue to prioritise actions that support the scaling up of renewable energy in Wales to achieve our renewable energy targets. This includes action we are taking to deliver the renewable energy deep dive recommendations. Specifically in 2025-26 we will work with the renewable sector to deliver a sector deal in line with one of the recommendations from the deep dive. This sector deal will outline commitments from government and industry to deliver on our targets in a way that delivers greater benefits to Wales. Bringing together the Economy, Energy and Planning responsibilities under one umbrella will ensure that we have oversight of the key policy tools to deliver on our renewable energy ambitions for Wales.

Our budget also secures additional funding for Trydan Gwyrdd Cymru to deliver large scale renewable energy projects on the Welsh Government woodland Estate. Our public sector led approach will make a significant contribution to our aims to deliver more Welsh ownership of renewable energy investment in Wales. We have set Trydan Gwyrdd Cymru with a target to deliver 250MW of new capacity by 2030 and a further 750MW by 2040. With the company now formally launched, we have a framework agreement in place and the company have an independent board to provide oversight to their operations.

Information on the impact of UK Government fiscal and policy decisions on budget allocations—Benefits for Wales arising from UK Government fiscal decisions and policies [including the UK National Wealth Fund]

We welcome the focus from the new UK Government on energy and the clean power 2030 Mission to create greater energy security and create jobs and green growth. As part of the drive to accelerate the delivery of new renewable energy projects the UK Government is establishing Great British Energy. Great British Energy will support new investment across Great Britain utilising funding available from the UK National Wealth Fund. We are working with Great British energy to work in partnership to accelerate delivery in Wales using our established delivery functions including Trydan Gwyrdd Cymru and Ynni Cymru.

There has been positive engagement between the new UKG Government including early meetings with the Prime Minister, Secretary of State for Wales and Secretary of State for Business and Trade which demonstrates a clear commitment to work together to deliver on a few of our shared ambitions to deliver growth and jobs in Wales.

UKG published a Green Paper on an Industrial Strategy and Welsh in October. This sets out a 10-year plan aiming to encourage growth and create jobs by providing businesses with the stability and certainty they need to invest. It will deliberately target growth-driving places and sectors and aims to remove the barriers to growth across the economy. At an official level there has been positive early engagement with UKG with respect to developing the Industrial Strategy which has focused on the comparative strengths of Wales at a UK level. A UKG workshop with officials took place on the 19 November and we are currently gathering intelligence to inform our response which will align with the four priorities outlined within the Economic Mission.

The future development of 'green steel' in and around the Port Talbot area we believe can and should play a significant to deliver long-term, sustainable, inclusive, and resilient growth. We intend to put forward a strong argument to that effect within our response to the UKG. In addition, we will also be highlighting the potential for a range of subsectors within clean energy sector which we believe can play an important role in future years.

However, while engagement has been positive with respect to the Industrial Strategy, there is still a lack of clarity about future funding to support delivery, with uncertainty on detail in areas such as the National Wealth Fund and the Shared Prosperity Fund. The National Infrastructure Bank under its new name the 'National Wealth Fund' will be provided with an additional £5.8bn (making a total of £27.8bn). Both the UKIB and the British Business Bank would be 'aligned' under the fund. This will be followed by further changes made via legislation which will seek to widen the funds remit. Officials are working closely with UKG to

understand how the fund will work in practice and its relationship with other institutions such as Great British Energy and the Development Bank for Wales.

2. Legislation

How the draft budget provides for delivery of newly enacted and planned Welsh Government legislation–

There is no newly enacted or planned Welsh Government legislation for the 2025-26 Draft Budget within my responsibility relevant to this Committee.

3. Climate Change

Delivery of the policies and proposals in the Net Zero Wales plan

This budget supports the delivery of activity to decarbonise the energy system in Wales to ensure we remain on track to meet our statutory targets to reach net zero by 2050. We have recently published consultations on our policy on carbon capture, use and storage and hydrogen in Wales. Our vision for the future of industry and energy generation in Wales is one in which sustainable industries are retained in Wales and continue to generate high-quality jobs and other benefits for the communities in which they operate. Our proposed policy highlights that we will support Carbon Capture and Storage (CCS) and hydrogen projects where they make a clear, measurable and sustained contribution to decarbonisation or the transition away from fossil fuels in Wales. Our budget decisions will support the implementation of our CCS and hydrogen policies including through updating Planning Policy Wales.

The Welsh Government has led activity across all local authorities in Wales to develop Local Area Energy Plans (LAEPs). These plans show the actions that need to be taken across all local authorities in Wales to achieve net zero by 2050. We will continue to provide resources across the regions to implement the actions set out in the Local Area Energy Plans and bring forward the scale of investment that those plans identify. We will provide capital funding through this budget to support the early implementation of activity identified in the LAEPs. We have invested revenue funding of £0.650m in 2025-26 to develop these Energy plans.

In 2024 we published a heat strategy for Wales. Our heat strategy sets out a pathway to decarbonising heat in domestic and industrial settings to achieve net zero and demonstrates how we can reach the ambition for a net zero public sector by 2030. It sets a vision for clean affordable heat in Wales. Alongside the strategy we also published Mine Water Heat Opportunity maps to inform local authorities and developers who wish to explore the opportunities for mine heat in Wales. We will continue to help support opportunities to decarbonise heat in line with our heat strategy by providing capital funding to deliver local heat decarbonisation investment across Wales.

4. Energy and energy efficiency

Delivery of renewable energy and public sector energy efficiency programmes including specific allocations for the Welsh Government Energy Service [Ynni Cymru] Community Energy Wales and Trydan Gwyrdd Cymru – Other allocations to support the delivery of renewable energy targets –

We continue in the 2025-26 budget to prioritise the delivery of renewable energy generation in Wales to support our targets to generate enough renewable energy in Wales to meet the equivalent of our electricity needs by 2035. We have invested an additional £4.5m revenue funding to support **Trydan Gwyrdd Cymru** and have prioritised the activity to retain benefit and value in Wales from projects developed by our renewable energy company. Our funding will continue to support the company and fund the development work on the five priority sites for Trydan. These projects will aim to generate 500MW of new generation, enough to power 400,000 homes. Trydan will continue to develop these projects working with our communities to understand how we can deliver local benefits.

Alongside Trydan Gwyrdd Cymru we have continued to prioritise in this budget the delivery of Ynni Cymru. **Ynni Cymru** supports the scaling up of community renewable energy projects to develop smart local energy solutions to better match local supply to local demand. Building on the success of the £10m capital fund in 2024-25, we have maintained funding at £10m to support further investment through Ynni Cymru to invest in local projects that will support the decarbonisation of our homes, businesses and communities across the whole of Wales.

We have committed to working with industry to develop a renewable energy sector deal. The aim of a sector deal is focused on removing barriers and working closely with industry on maximising the value of benefits of renewable energy projects in Wales. Our budget will support the work to agree a deal with industry in 2025-26.

The investment in the **Welsh Government Energy Service** supports our ambition to have a net zero public sector in Wales by 2030 and forms a key part of our work in the Climate Change and Rural Affairs portfolio. The service helps public sector organisations develop decarbonisation plans which not only reduce their carbon footprint but also deliver cost savings to the public purpose through energy efficiency. A budget of £21m has been allocated to deliver both loans and grants for continued investment in energy efficiency and renewable energy within the public sector. Details of the Welsh Government Energy Service allocation can be found in evidence provided by the Deputy First Minister and Cabinet Secretary for Climate Change & Rural Affairs at the Climate Change, Environment and Infrastructure Committee.

We continue to support the community energy sector in Wales including through our work with **Community Energy Wales** and the Welsh Government Energy Service. We have also prioritised funding for Ynni Cymru with £2.47m revenue and £10m capital in 2025-26. Ynni Cymru will continue to support the scaling up of community renewable energy projects in Wales working with Community Energy Wales and other strategic stakeholders in Wales.

Policies and programmes to support decarbonisation in the housing sector[including allocations for the Optimised RetroFit Programme[the Warm Homes Nest Scheme and the Green Homes Wales Scheme

Policy responsibility for this activity rests with the Cabinet Secretary for Housing and Local Government and evidence will be provided by the Cabinet Secretary as part of her evidence to the Committee.

5. National Infrastructure Commission for Wales (NICW)

Details of budget allocations for the NICW

An additional £3.741m revenue funding has been invested in the 2025-26 budget to deliver the First Minister's priority to accelerate infrastructure planning decisions. £0.400m of the budget within the Planning and Regulation BEL will be used to support of the National Infrastructure Commission.

6. Ports and Airports

How the draft budget will support the development of Welsh maritime and sea ports—Specifically any allocations to support the implementation of a long-term strategy for Cardiff Airport in the 2023 draft budget [how this will be monitored to ensure it provides value for money and whether there are any plans for in year allocations in the current 2023 financial year to support the strategy—

The draft budget will support developing a Maritime Ports strategy for Wales before the end of this Senedd term. The intention is to develop this alongside the new logistics and freight plan for Wales - another commitment under the Wales Transport Strategy - given the significant interdependencies between the sectors.

In response to any allocations to support the implementation of a long-term strategy for Cardiff Airport. The Competition & Markets Authority's (CMA) assessment of the Welsh Government's proposed long-term investment in Cardiff Airport was published on 2 October. I issued a Written Statement in response on the same day.

The Welsh Government is not going to comment on the detail of the CMA report at this stage. As per the Written Statement, we are now taking the time needed to give full consideration to their assessment. The Welsh Government remains open to refining the proposed programme of investment on the basis of that assessment and the representations made to the CMA by interested third parties. Once we have concluded our work in response to the CMA's report, and Cabinet Secretaries have taken a final decision on what form any investment package should take, I will update the Senedd.

Allocations for the proposed long-term package of investment for Cardiff Airport will be made once Cabinet Secretaries have decided on how they would like to proceed, in the light of the Competition & Markets Authority's feedback on the proposed investment.

7. Summary

The plans for the budget expenditure lines relevant to this Committee, within the Economy, Energy and Planning MEG for Draft Budget 2025-26 is presented to the Committee for consideration.

Rebecca Evans

Cabinet Secretary for Economy, Energy and Planning