

# Green Growth Wales – Investment Support (GGWIS) Consultation Response Form

## Section 1: About you

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Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please indicate here by putting a cross (X) in the box:

To help us analyse the responses, please put a cross (X) in the relevant boxes:

Sector you are representing:	Private Sector business	
	Public Sector organisation	X
	Third Sector / Social Enterprise	
	Individual respondent	

Type of projects of interest to you (tick all that are relevant):	Resource efficiency (including energy efficiency)	X
	Renewable energy	X
	Energy from waste	X
	Other (if other, please specify here):	X
	Land management for carbon sequestration	

Your role in project development & delivery	Project sponsor / proposer / client	X
	Installer / developer	X
	Investor	
	Other (if other, please specify here):	X
	Environmental Regulator	

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## **Section 2: Your response**

Please respond in the space below the relevant question. You may choose to respond to some or all of the questions.

### **Question 1: Do you agree with the focus on renewables, resource efficiency (including energy efficiency) and waste infrastructure projects?**

We suggest that Welsh Government take a dual approach to green growth that addresses both the long term and more immediate issues.

The consultation document states: “the green growth approach in Wales aims to foster economic growth, development and social equity while ensuring that our natural assets can continue to provide the resources and environmental services on which our well-being relies”. The Welsh Government’s approach to the Sustainable Management of Natural Resources (SMNR) is laid out in the Environment Bill currently going through the Senedd. Essentially this involves managing the environment in such a way as to deliver the best overall mix of ecosystem services, relevant to our needs.

Viewed from this perspective, concentrating solely on renewables, resource efficiency and waste infrastructure projects would seem unnecessarily restrictive. As the consultation document points out, however, there are short-term economic opportunities to be grasped in these areas, which it would be foolish to ignore. The aim, therefore, should be to realise these short-term opportunities in ways that do not compromise Welsh Government’s long-term aim.

We acknowledge that Wales has a considerable resource potential in relation to low carbon energy generation including tidal and marine energy, hydro, solar and onshore and offshore wind. We are committed to work strategically with developers and decision makers to help identify opportunities to enable the right development in the right locations.

In a world of increasing competition for natural resources, and of global environmental degradation arising from past environmental mismanagement, we do not see economic growth as something that can be sustained indefinitely. We do, however, see green growth as the means whereby we migrate from an unsustainable fossil-fuelled resource-hungry future to a sustainable low-carbon resource-efficient one.

In navigating the path from the short-term to the longer-term, the Well-being of Future Generations (Wales) Act is particularly important. This means that Welsh Government’s various interventions in green growth will be judged not simply on their short-term economic benefits, but on their longer-term contribution to the seven Well-being goals laid out in the Act.

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As the Welsh Government broadens the scope of its green growth agenda we would expect to see early and increasing attention paid to: the circular economy; water efficiency; the sustainable intensification of agriculture; and adapting to climate change. These appear to be intrinsically very cost-beneficial. The scale of the transition to a green future is, however, so large that the Welsh Government should consider supporting initiatives that hold great potential, but which may fail. Lessons learned from such failures can be as important as those learned from success.

### **Question 2. Do you agree or disagree with our assessment of the barriers stated? Please provide evidence to support your answer.**

We note that the consultation document lists “planning and regulation” amongst the barriers to progress. We need to be careful here. Appropriate planning and regulatory regimes are there to ensure that development is sustainable. They are the ways whereby society can stimulate and support the markets and initiatives that are relevant to its overall needs. The fact that climate change has been cited as a result of the single most serious market failure (the failure to put a price on carbon) is particularly relevant here.

That said, it is important that planning and regulatory frameworks are managed effectively. The Welsh Government’s SMNR approach should result in business having information on environmental opportunities that they can exploit. It will also give them early warning of constraints, allowing them to plan more efficiently. The information from the SMNR process will also allow local authorities to set out opportunities for the sustainable use of natural resources in their Local Development Plans, the suggested Strategic Development Plans and in Welsh Government’s National Development Framework.

Our experience is that smaller developers in particular often struggle to balance competing timescales for securing grants and contracts, versus the time needed for due diligence and producing a comprehensive initial project plan. Many often fail to account for the cost of complying with statutory duties, such as: reporting; demonstrating compliance with ‘permit’ conditions; and the need to keep up with industry standards. This can lead to subsequent non-compliance with the regulatory conditions that we set. These problems of poor project planning are particularly acute in the run-up to changes in subsidy regimes, when developers are seeking to submit proposals before the deadline for the changeover.

We have made available on our website information relating to obtaining, and then complying with, each of the different types of environmental permit that developers might need from us. We offer tailored advice and guidance to developers through our pre-application service. This is provided free of charge for a set number of hours, depending on the nature of the development. We offer:

- **technical** guidance: setting out specific technical information for the particular activity;
- **sector** guidance: setting out general measures/standards for sectors as a whole;

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- **overarching environmental** guidance: setting out general information for developers;
- **application** guidance: specifically designed to help developers complete all relevant application forms for their project and get it right first time.

All parties need to be realistic with regard to the free advice that we can provide for any particular application, since the costs incurred need to be recovered from the charging scheme overall. Our strategy is to progressively improve our website, so that standard advice can be provided more effectively and at reduced cost. We are also looking to develop online application forms that can link to reference documents, and which would allow us to process applications more efficiently. There comes a point, however, when the pre-application advice requested goes beyond what we can provide free – and at that point we will seek to recover our additional costs from the applicant.

### **Question 3. Are you aware of other barriers related to provision of support and improving access to finance that we should be aware of?**

Third sector participation could be improved if community share offerings were made easier. What is needed, we suggest, is an intermediate form between a private and a public limited company, perhaps a community limited company, with the ability to make a community share offering similar to that of an Industrial and Provident Company, and around which a Community Interest Company (CIC) wrapper could be attached providing social objectives and an asset lock.

### **Question 4. Are there particular project stages – i.e. development, construction or operation - where accessing finance is problematic? Please describe any issues.**

In order to implement any proposal, developers need to obtain the necessary permits and planning approval, as well as the necessary finance. It is important that the processes for obtaining all three elements are properly synchronised. We have discussed our own permitting operations in response to the previous question.

The Welsh Government has introduced changes to the planning system in Wales via the Planning (Wales) Act 2015, which in part is aimed at improving the delivery of sustainable development. We work closely and proactively with our partners and customers to help direct development to appropriate locations.

We have developed our Service Statement which sets out the standards of service that our customers can expect from us when we respond to Development Management, and Local Development Plan consultations. It also outlines the type of information we would expect from planning authorities and developers to enable us to provide effective and timely responses to development planning consultations.

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We encourage applicants to engage with us when selecting sites for development, and at pre-application stage where appropriate. This may arise when proposing large or complex projects, or where there is a potential for significant environmental impact. Our guidance on how environmental interest should be considered in the development process is made available on our website.

### **Question 5. To what extent would you / your organisation wish to access funding from any of the above sources? If so which and why? Please provide supporting evidence where possible.**

We would be keen to access those funding sources for which we are eligible. As explained in the consultation document, these are: non repayable direct grant; repayable direct grant; and joint ventures with the private sector (as with wind farms on the Welsh Government estate).

The broad scope of our activities (ranging from managing offices and vehicle fleets to large-scale land management and field activities) makes NRW an ideal “test bed” for Welsh Government’s green growth initiatives. We are currently undertaking the Welsh Government-supported Carbon Positive Project, which seeks to enable NRW to become an exemplar in carbon management and then to share best practice for use across the Welsh public sector. We are already considering if “Invest to Save” funds should be sought for further delivery of this work. Within the public sector, we suggest that the repayable direct grant approach, with zero-interest loans, would continue to provide a valuable source of support to deliver carbon management projects. In this context, we note the extra £1.5m that Welsh Government has secured from the European Investment Bank’s ELENA to deliver over £30m of low risk investment in energy efficiency over the next three years.

We would welcome the opportunity to access funds to undertake self-build green energy projects across the NRW Managed Estate. We have a growing portfolio of such projects and are already working closely with Welsh Government and Local Partnerships. We have developed the “Energy Park” concept that seeks to develop renewable energy in an holistic way, within the overall context of the SMNR approach.

In addition to seeking funds for our own use, we would be keen to be involved in setting the environmental component of the investment criteria accompanying any programme that Welsh Government sets up, such as the “leveraged investment vehicle” mentioned in the consultation document.

### **Question 6. Which of the following options should be included in any intervention and why? Please provide supporting evidence where possible.**

- **Repayable grant – invest to save or similar (public bodies only).**
- **Welsh Government direct loans.**
- **Working with / encouraging the commercial market on a project by project basis. [Includes creating a Welsh loan framework product or**

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**draw down investment facility that invests in a portfolio of local energy investment vehicles].**

- **Leveraged funding – creating a new investment vehicle**
- **Using an existing fund.**

As the nature of green growth could take a wide and varied path the more intervention vehicles that are available the better – so none of the options should be ruled out at this point.

### **Question 7. Excluding non-repayable grant, what other funding options should we consider?**

If there was scope for Welsh Government to directly fund and own grid infrastructure, and then to charge users a not-for-profit rate to use that grid connection, we believe this could be a very attractive financial intervention. Welsh Government might also consider directly buying shares in green growth schemes.

### **Question 8. If your organisation is deterred from accessing funding from existing sources, why is that?**

Since NRW's accounts are consolidated with Welsh Government's, any grant for "green growth" projects will compete with our core funding. In the past we, and our predecessor organisations, have secured additional European funding for schemes ranging from flood risk management infrastructure to local biodiversity projects. The consultation document points out the large scale of ERDF funding available for 2014-2020, and the very relevant subject areas covered.

We are continuing to explore the scope for accessing European funding, including the factors that could constrain our ability to do so. Funding initiatives that preclude funding of our statutory environmental duties, and which focus instead on jobs, growth and investment, restrict the range of project topics that we could bid for. However it is important that all schemes that come forward for approval are underpinned by a sustainable approach to environmental as well as socio-economic issues. We would welcome discussion with the Welsh Government on how that could be achieved most effectively, and what funding is available to support the provision of advice to bidders and the approval bodies.

Given that our budgets from Welsh Government Grant in aid are forecast to decrease in the coming years, it will be progressively more challenging for us to provide match funding for European projects from our own resources. In seeking to implement their priority schemes we suggest that Welsh Government should take a broader partnership view that would allow additional match funding from a range of sectors, including Welsh Government itself. We believe that such an approach is clearly within the spirit of the Wellbeing of Future Generations Act.

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**Question 9. What would make your organisation more likely to access funding? (Please take into account regulatory etc. constraints around the structure of the funding.)**

We are currently exploring whether our powers would allow NRW to set up an arms-length body, or a limited company, focussed on commercial green growth. We suggest that the profits from any such body would be re-invested in NRW, or within Wales more broadly, under terms agreed with Welsh Government. Either way, the economic benefits would be retained in Wales, rather than leaking out to an external investor.

In certain cases we would value Welsh Government taking a lead role as the project applicant, as was the case in relation to flood defence funding from the 2007-2013 ERDF Structural Funds programme. The former Environment Agency Wales benefited from this funding and seconded an officer into Welsh Government to manage the Environment Agency element.

**29 January 2016**