

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:

Committee room 5 – Tŷ Hywel and
video conference via Zoom

Meeting date: 22 May 2024

Meeting time: 09.30

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

SeneddEconomy@senedd.wales

Hybrid

Private pre-meeting

(09.15–09.30)

Public meeting

(09.30)

1 Introductions, apologies, substitutions, and declarations of interest

(09.30)

2 Papers to note

(09.30)

2.1 The Official Controls (Establishment Lists) (Revocation) Regulations 2023

(Pages 1 – 2)

Attached Documents:

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – 3
May 2024



2.2 Development Bank of Wales inquiry

(Pages 3 – 10)

Attached Documents:

Letter from the Chair to the Cabinet Secretary for Economy, Energy and Welsh Language – 8 May 2024

Letter from the Development Bank of Wales – 17 May 2024

2.3 Environment Food and Rural Affairs Interministerial Group

(Page 11)

Attached Documents:

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – 9 May 2024

2.4 Drainage Districts

(Pages 12 – 13)

Attached Documents:

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – 9 May 2024

2.5 General Ministerial scrutiny

(Pages 14 – 15)

Attached Documents:

Letter from the Chair to the Cabinet Secretary for Climate Change and Rural Affairs – 4 April 2024

Response letter from the Cabinet Secretary for Climate Change and Rural Affairs – 14 May 2024

3 Inquiry: Green Economy – Panel 5 – Green Finance

(09.30–10.15)

Kate McGavin, Chief Policy and Strategy Officer, UK Infrastructure Bank

Andy Regan, Mission Manager, Sustainable Future Mission, Nesta

Break

(10.15–10.25)

4 Inquiry: Green Economy – Panel 6 – Case study

(10.25–11.25)

(Pages 16 – 41)

Dafydd Gruffydd, Managing Director, Menter Môn

Dr Debbie Jones, Low Carbon Innovation Manager, M-Sparc

Robyn Lovelock, Growth Deal Programme Manager, Ambition North Wales

Attached Documents:

Evidence paper – M-SParc

Evidence paper – Ambition North Wales

Research brief

5 Motion under Standing Order 17.42(ix) to resolve to exclude the public from the remainder of the meeting

(11.25)

Private

(11.25–12.00)

6 Consideration of evidence following the meeting

(11.25–11.35)

7 Forward work programme discussion

(11.35–11.50)

(Pages 42 – 52)

Attached Documents:

Forward work programme: Autumn 2024 – Spring 2025 discussion paper

8 Royal Welsh Show 2024: Committee attendance

(11.50–12.00)

(Pages 53 – 55)

Attached Documents:

Royal Welsh Show 2024: Visit options paper

Ein cyf/Our ref MA/HIDCC/5187/24

Llywodraeth Cymru
Welsh Government

Paul Davies MS
Chair, Economy, Trade, and Rural Affairs Committee
Senedd Cymru
Cardiff Bay
Cardiff
CF99 1SN
SeneddEconomy@senedd.wales

3 May 2024

Dear Paul,

I am writing further to correspondence sent by my predecessor, the then Minister for Rural Affairs, North Wales and Trefnydd Lesley Griffiths MS on 18 October 2023 and again on 9 November 2023, regarding the above referenced Statutory Instrument (then titled 'The Official Controls (Establishment Lists) (Revocation) Regulations 2023').

The Minister notified you that she was giving consent to the Secretary of State for Environment, Food and Rural Affairs to make the Regulations on behalf of Welsh Ministers, but subsequently wrote again to confirm they had not been laid.

My officials have now received notification from Defra that the Regulations will be laid on 7 May and come into force on 29 May.

The purpose of the Regulations is to revoke restrictions placed on certain Brazilian food establishments. This will enable them to be added to the list of establishments approved to export to Great Britain, upon submission of an updated list of approved establishments by the Brazilian Competent Authority.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

As consent was previously given to the Secretary of State to act on behalf of Welsh Ministers to make these Regulations on 12 October 2023, this letter is being sent to you for information only.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Huw Irranca-Davies', with a stylized, cursive script.

Huw Irranca-Davies AS/MS

Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Cabinet Secretary for Climate Change & Rural Affairs

Jeremy Miles MS
Cabinet Secretary for Economy, Energy and
Welsh Language

8 May 2024

Annwyl Jeremy,

Development Bank of Wales (DBW) inquiry: follow-up

Thank you for attending Committee on 24 April to give evidence for the Committee's inquiry. I have already written to the Bank following their evidence session to follow up on points arising from the meeting.

With regard to questions that have been raised about DBW's independence from Welsh Government, and also its internal due diligence processes, I note that in evidence to the Welsh Affairs Committee on 1 May you said that you had asked DBW to "reflect on whether any recent experience causes it to look again at its diligence processes". This is certainly welcome, as I expect that this will be an issue included in the Committee's reporting from its inquiry.

In Committee you responded to my questions about the relationship between DBW and Welsh Government and referred to a framework document which governs that relationship and provides the foundation for it. The Trefnydd also referred to this document in response to questions on the matter in Plenary on 23 April. In the interests of transparency and to assist our inquiry I would be grateful if you could provide a copy of that document to the Committee as soon as possible.

Cofion cynnes,

A handwritten signature in black ink that reads "Paul Davies". The signature is written in a cursive style with a large initial 'P' and 'D'.

Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Via email to: SeneddEconomy@senedd.wales

17th May 2024

Dear Mr. Davies,

Please find attached with this letter the Development Bank's responses to the additional questions from the Economy, Trade and Rural Affairs Committee.

Please do not hesitate to get back to me if any further information is required.

Yours sincerely



Giles Thorley
Chief Executive

Development Bank of Wales Plc
Unit J, Yale Business Village, Ellice Way, Wrexham LL13 7YL
info@developmentbank.wales | developmentbank.wales



Development Bank of Wales Plc is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at www.developmentbank.wales

What guidance is given to businesses in order for them to understand everything involved with an equity investment?

We recognise that our role as a development bank is to counteract the cyclical nature of the mainstream capital markets and to develop new or underserved markets. Our approach as a lender or investor is supportive while still being commercial.

Equity finance is the primary funding mechanism for innovative early-stage businesses and is a means to fuel growth in later stage businesses without the cashflow burden of debt repayments. The demand for equity in Wales has grown but is still relatively small, with UK research from the British Business Bank showing that Wales had 2.6% of the total UK transactions in 2022¹. It is interesting to note however, that the value of equity investment into UK SMEs contracted in the year but that Wales was one of only three UK regions which had an increase in the number of transactions and that the Development Bank participated in over half of these.

There are some fundamental differences between an early-stage technology business and a later stage business in approaches to fundraising. With pre-revenue businesses, equity is typically the main if not only route to raising the capital necessary to bring a product to market. From a company point of view, founders have a strong belief in the commercial opportunity of their technology whereas from an investor point of view, an unproven business will always be perceived as higher risk. More mature business will have a broader range of funding options available to them and have other priorities when considering an investor such as such as goal alignment or route to exit. These differences shape the way we work with companies and as discussed in our previous paper, we have specialist teams with the appropriate skills and experience to work with each customer group.

When a business applies to the Development Bank for finance, a colleague from one of our five offices across Wales will work directly with them through the process to understand their funding needs. The aim is to tailor a package of funding for them from the full range of funds available and consider equity where appropriate.

The process from thereon when negotiating an equity investment includes considerations such as ensuring good alignment of growth goals and strategy, validating the commercial opportunity and valuation. We invest the time meeting and developing a relationship with management teams as we work through these during the diligence process.

When working with businesses, particularly those who may be raising funding for the first time, we recognise the importance of communicating transparently through the process. It is however, important to be aware that this process is a negotiation with commercial aims for both the company and for the Development Bank as an investor and this cannot be a replacement for a company taking its own independent advice. We encourage external advice on all transactions, and this is something we are considering formalising. We also actively encourage companies to do their due diligence on us through speaking to other equity backed companies.

There are a number of very good business support programmes in the ecosystem that offer guidance and support including Business Wales and the Accelerated Growth Programme, Alacrity Foundation and the Fintech Foundry. We regularly work in partnership with these other business support

¹ [Small Business Equity Tracker 2023 \(british-business-bank.co.uk\)](https://www.british-business-bank.co.uk)

organisations to support their programmes, participating in events and panel discussions and supporting accelerators with training.

We have taken other steps such as making our term sheet on equity deals clearer and easier to understand and ensure it highlights key terms early in the process. This is ongoing work for us and we reference our approach to that of the market including using BVCA documentation.

There is more to be done. For example a recent discussion with Fintech Wales members highlighted the need for us to better explain the Wales Angel Co-Investment Fund which is a passive investment fund whereby the Development Bank follows the terms agreed between the company and a lead Angel investor.

More broadly, we have and will continue to invest in assets and guides to support the wider market on the fundamentals of equity investment. We have run information campaigns on the topic, including digital content such as videos and blogs, and promotion through various media and speaking opportunities. This is a strategy that will continue this year as we publish our learning hub.

How wide is the pool of potential Investor Directors that the Development Bank appoints from? Do you ever appoint the same Investor Director to sit on the boards of multiple companies that the Development Bank has invested in?

We currently have a database of 165 potential non-executive directors or chairs, some of which could also be investor directors. We do appoint the same people multiple times if their experience and skillset is a good match for the company's needs, and they have the bandwidth to make a positive contribution. As explained in our previous evidence, appointments are always made with consideration and a genuine expectation that the investor director will help the company achieve its business aims and typically with agreement and consensus from the company and other shareholders and stakeholders.

What degree of control does the Development Bank have on the way an Investor Director operates and the decisions they take once appointed?

An equity investment from the Development Bank will typically contain the right to appoint either an investor director or a board observer. The role and way in which an investor director is appointed, when that right is exercised, was covered in our earlier paper.

The investor director is a director of the company and has the same legal duties as any other director as governed by the Company's Act and director's duties. They are required to act in the interest of the company and all shareholders. Through our monitoring role we consider the decisions and proposals made by the board which includes the investor director, but do not exert any degree of control on an investor director.

The investment agreement outlines the matters/decisions that require specific consent. These would be matters considered to be important and material to our investment such as major items of expenditure, taking on additional debt, the appointment of an employee at a salary above an agreed threshold or the appointment and removal of directors.

When an investor director is appointed, we maintain our relationship with the company through a monitoring role and can remove and replace an investor director, typically this might happen in a business on a growth trajectory and where there may be a need for different skills as a business evolves. Investor directors suited to an IP rich pre-revenue business can be very different to those required when the company is driving towards an exit event.

Investor Director remuneration

In cases where an investor director is appointed, remuneration is negotiated and agreed between the company and the individual.

How many complaints has the Development Bank received in each year over the last 5 years?

The Development Bank Group received 1,765 applications for business funding last year and more detail is provided below.

FY	Applications	Number of complaints	Feedback*
2019/20	1853	15	-
2020/21	2693	14	-
2021/22	1896	20	-
2022/23	1678	3	9
2023/24	1765	11	12

**N.B historically all forms of feedback and complaints were simply logged as a complaint, however in the last two financial years, we have separated feedback from complaints*

Has the Development Bank undertaken any benchmarking against other comparable institutions on a usual level of complaints they might expect to receive? If so, are the current complaints in line with the Bank's findings?

Complaints data is published by the FCA however it is difficult for us to benchmark ourselves directly as the FCA only requires regulated activity to be reported to them. Such activity is consumer credit, mortgages, banking, insurance and pensions, and therefore falls outside the scope of business lending. As an illustration, whilst the Development Bank received 11 complaints in the latest financial year, only 2 of these are reportable to the FCA as they relate to our regulated legal entity, DBW Investments 10 Ltd (DBW10). The primary mechanism for tracking satisfaction over time is through the common KPI Net Promoter Score which was detailed in our previous paper.

Whether the Bank has undertaken any work to understand how the Bank is viewed by businesses that have either been unsuccessful in securing funding from the Bank or have never applied to the Bank for support.

In addition to our existing customer satisfaction monitoring, we periodically undertake stakeholder perception research at least once during a corporate plan cycle, across all groups including

customers, the wider SME population, business advisors and other business organisations, a summary of which was included in the 2022 annual report and accounts (excerpt below), and the next research is planned for this year at the mid-point of our current corporate plan.

“An independent study of almost 800 customers and key stakeholders including membership organisations was conducted in 2021. The objectives of the research were to understand the extent to which the Development Bank is perceived as:

- A trusted expert in business finance
- An authoritative voice in SME investment and economic development
- A commercial investor with a social remit
- A responsible/ethical investor

The study also considered the appetite and intent for external investment, in particular equity investment.

Key findings of the report show that the Development Bank scores well in terms of being a responsible investor, awareness of the Bank and likelihood of recommending it among Intermediaries interviewed as part of this research was strong. However, only one third (34%) of SMEs were aware of the Development Bank of Wales.

Among membership organisation participants in the qualitative research, the Bank was felt to have a number of roles including helping SMEs in Wales to access finance especially if they might have struggled to find financial support from more ‘traditional’ lenders; aligning with Welsh Government priorities; being an important tool for economic development in Wales; and developing as a strategic partner for businesses.

Some membership organisation participants deemed the Bank’s priorities as supporting businesses that might find it difficult to access finance provided it made commercial sense. Prioritising growth and innovation were also noted.

Encouragingly, all groups were much more likely to spontaneously mention strengths rather than weaknesses of the Development Bank of Wales. For intermediaries, top of mind strengths related to market position factors such as its Welsh focus, our willingness to lend where others won’t and our variety of funding. Our portfolio customers spontaneously mentioned strengths relating to customer service attributes such as *good communication, accessibility, listening to business and a personal, friendly service.*

Membership organisation participants in the qualitative research voiced similar, positive brand perceptions. They also associated the Bank with being ‘professional’, ‘local’ and ‘proudly Welsh’. There was also reference to how our profile and reputation had reportedly improved in recent years.”

Will the loss of over £62 million reported for the financial year 2022/23 have any impact on the Development Bank’s ability to meet the aims and objectives set by the Welsh Government, and will said losses decrease the amount of money available for the Bank to loan out going forward?

In line with the Fifth Senedd’s Economy, Infrastructure and Skills Committee’s recommendation, I would encourage the Development Bank to publish information alongside its annual accounts – in

plain English and Welsh - that would allow any interested member of the public to see whether the organisation has covered its costs in the preceding year and to understand the practical effects of any losses or surpluses identified in the accounts.

The number quoted above appears to be the operating (loss)/profit line of the consolidated income statement on page 152 of the annual accounts. The correct figure for the year is the bottom line of the same table, reported as a £24 million loss for 2022/23. This does not impact the Development Bank's ability to meet the aims and objectives set by the Welsh Government. We remain on track to meet our investments targets and loan repayments to the Welsh Government as set out in the funding agreements.

We noted the request from the committee to include an explanation of the accounts and agreed that this was a positive development to improve transparency. As a result, we introduced the Chief Financial Officer (CFO) report from 2018 onwards.

The Economy, Infrastructure and Skills Committee commented on the change and its contribution to members understanding of the Development Bank's financial position.

"It was pleasing to hear a positive story about the Bank's progress against investment targets to date, and to see in the annual report a more transparent presentation of financial information that the Committee had recommended last year."

Russell George MS, Chair of the Economy, Infrastructure and Skills Committee
Letter to Giles Thorley 7 February 2019 - ref EIS(5)-06-19(P1)

The CFO report provides a high-level review of our financial performance, describes the two parts to the business by separating the delivery from the funds themselves, and compares year on year performance.

The loss shown in the accounts is primarily a result of three non-cash items which are accounting exercises and meet the requirements of the International Financial Reporting Standards:

- Expected Credit Losses (£17 million)
- Changes in Fair Value (£30 million)
- Notional Interest on Welsh Government Loans (£9 million)

The CFO report shows that the Development Bank covers its operating costs (services business) annually and that surpluses or losses from the funds business should not be assessed annually because fund results include volatility caused by year-on-year movements in assets held at fair value, impacted by the prevailing economic conditions and which are estimates and unrealised.

A longer-term view on a fund-by-fund basis may be a more appropriate way to assess performance of the Development Bank's funds which are monitored through quarterly reports to the Welsh Government.

Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion
Gwledig
Cabinet Secretary for Climate Change & Rural Affairs

Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: HID/PO/0134/24

Sarah Murphy MS
Chair
Legislation, Justice and Constitution Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

8 May 2024

Dear Sarah,

In accordance with the inter-institutional relations agreement, I wish to notify you of the cancellation of the latest Environment Food and Rural Affairs Interministerial Group. The Group was due to meet on 1 May and would have been the first meeting since September 2023.

I said in my [Written Statement](#) on 29 April on the Extreme Weather Summit that I would be discussing the impact of farmers and growers in Wales at the Interministerial Group. This was just one of a number of important and time sensitive discussions we were due to have. We were also planning to discuss ongoing issues with the Windsor Framework command paper, and we intended to sign off the National Biodiversity Strategic Action Plan which will be launched later this month.

This cancellation was a disappointing lost opportunity. I have written to the Secretary of State to express my disappointment and asked that he commits to a new date at haste. I hope we will be able to rearrange the meeting quickly, and I will inform you when we have been able to do this.

I am copying this letter to Rebecca Evans MS, Cabinet Secretary for Finance, Constitution & Cabinet Office and the Chairs of the Climate Change, Environment and Infrastructure Committee and the Economy, Trade and Rural Affairs Committees.

Yours sincerely,



Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Cabinet Secretary for Climate Change & Rural Affairs

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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.



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: HID/PO/127/24

Paul Davies MS
Chair
Economy, Trade, and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

9 May 2024

Dear Paul,

Thank you for your follow-up letter of 8 April on behalf of the Economy, Trade and Rural Affairs Committee (ETRA committee) about the effectiveness and sustainability of the current approach to managing Internal Drainage Districts (IDDs), and for sharing the views of Natural Resources Wales (NRW) and the Farming Union Wales' (FUW).

I recognise the concerns about the current role and operating model of Internal Drainage Boards (IDBs) and Internal Drainage Districts (IDDs) as these have also been raised with me directly.

There are, of course, broader fundamental questions for us to grapple with in considering how we adapt to the impacts of climate change and what that means not just for land drainage but flood risk management more widely. We are witnessing more frequent extreme weather events which will increase the risk of flooding to communities across Wales and the inundation of agricultural land.

I have been carefully considering my priorities for the portfolio since taking up my current role and I have been clear that any activity must lead to meaningful outcomes and reflect proper engagement with those with an interest. In terms of the review of the current operating model, this would not be a simple undertaking, because it would go to the heart of the numerous challenges we have in striking a balance in the role land plays in flood alleviation and in supporting agriculture and food production.

For this reason, I have concluded that it is not possible to resource the sort of review I believe is necessary at this time.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

Whilst this may be disappointing to stakeholders, I do want to encourage an active dialogue about sustainable flood risk management solutions which can increase resilience for communities and landowners as we also continue to adapt to the threats posed by climate change. However, any consideration the ETRA committee could bring to this area may be helpful and informative. Such matters may indeed be of interest to the Climate Change committee too.

I have asked my officials to keep the position under review and I will update the Committee on this matter when I am in a position to do so.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Huw Irranca-Davies', written in a cursive style.

Huw Irranca-Davies AS/MS

Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Cabinet Secretary for Climate Change & Rural Affairs

Agenda Item 2.5

Rwyllgor yr Economi
Mashnach a Materion Gwledig

Economy, Trade, and Rural Affairs Committee

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Huw Irranca-Davies MS

Cabinet Secretary for Climate Change and Rural Affairs

04 April 2024

Dear Huw

I would like to congratulate you on your appointment as Cabinet Secretary for Climate Change and Rural Affairs.

Although you are already familiar with some of the Committee's work which falls within your portfolio, I wanted to update you on rural affairs work we have recently carried out, and have planned.

The Committee held a short one-day inquiry on Farming Connect on 22 February 2024, which focused on the preparedness and capacity of Farming Connect to deliver future services required under the Sustainable Farming Scheme (SFS), as well as to support farmers during the transition.

During the Summer term, the Committee will be holding an inquiry into the Sustainable Farming Scheme (SFS). The Committee is looking forward to hearing from you at our meeting on 13 June 2024. This will involve two sessions – the first a general session which is an opportunity to set out your priorities and reflect on approaching your first hundred days as Cabinet Secretary, and the second session focusing on our SFS inquiry.

The Committee very much looks forward to engaging with you in your new role.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English



Senedd Cymru
Welsh Parliament

Pack Page 14

Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion
Gwledig
Cabinet Secretary for Climate Change & Rural Affairs



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: HID/PO/109/24

Paul Davies MS
Chair
Economy, Trade, and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
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CF99 1SN

14 May 2024

Dear Paul,

Thank you for your letter of 4 April and for your kind words of congratulations.

I note with interest the Committee's one-day inquiry in to Farming Connect in February. The Welsh Government supports farmers with advice, guidance, training and grants. Farming Connect is our principal mechanism for delivering learning and development and knowledge sharing. As you know, the existing Farming Connect contract runs until 31 March 2025. Our future offering after that time may retain the Farming Connect brand, or it may not. However, I will ensure it is fit for purpose and provides the same high quality support for farmers, responding to the objectives of the Agriculture (Wales) Act and the introduction of the Sustainable Farming Scheme as we transition away from the Basic Payment Scheme. Our support for farmers will continue to be available to all farmers, regardless of whether they apply for the Sustainable Farming Scheme or not. I look forward to reading the report once available.

I am eager to work positively with the Committee and engaging in your important work in future, including my meeting with you in June where we can discuss the breadth of my portfolio and the session specifically discussing the Sustainable Farming Scheme.

Yours sincerely,

Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Cabinet Secretary for Climate Change & Rural Affairs

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Agenda Item 4

Senedd Cymru

Pwyllgor yr Economi, Masnach a Materion Gwledig

Economi Gwyrdd

GE18

Ymateb gan: M-SParc

Welsh Parliament

Economy, Trade, and Rural Affairs Committee

Green Economy

GE18

Evidence from: M-SParc





Green Economy

The Green Economy represents a huge opportunity for Wales, with North Wales uniquely placed to take advantage with its' mix of nuclear, wind, tidal, hydro-, solar and hydrogen opportunities. For Wales to take advantage of the potential economic benefits from these sectors, and benefit from hosting infrastructure projects in Wales, the Welsh Government must focus on 4 key areas; supply chain development, skills development, innovation and project pipelines and certainty to ensure Wales maximises on the benefits from the green economy.

The Welsh Government needs to work with key developers and stakeholders, including UK Government, to strengthen, monitor and support the local skills and supply chain requirements associated with energy infrastructure projects in Wales. There needs to be earlier and more meaningful engagement with developers, showing clear commitments, which must be mandated, to ensure local supply chains have an opportunity to supply the sector. The Welsh Government also need to take increased ownership of the projects to ensure they can mandate and subsequently monitor supply chain and skills opportunities.

Supply Chain

The Welsh Government has done well to support supply chain clusters such as the [Offshore Energy Alliance](#), the [North West Nuclear Arc](#) and [Wales Nuclear Forum](#), but incentives such as these still run on very tight budgets, increasing support would enhance the benefits these clusters could bring to the sector.

The Offshore Energy Alliance has set up a **group**, consisting of over 45 companies who meet regularly to network, share best practise and collaborate on opportunities within the offshore energy sector. The support from the OEA for these businesses means they have access to the developers and large tier 1 companies that they wouldn't usually meet as often. This network of companies are working together to deliver innovation and economic benefit for the region in the green sector, and further funding for programmes such as these is essential for the development of the supply chain.

Another supply chain cluster which is key to delivering economic benefit for Wales within the green economy is the Wales Nuclear Forum. The forum brings together companies working within the nuclear sector to highlight developments in the sector and provide networking opportunities.

Clusters such as these, all of which are supported by the Egni team at M-SParc, provide essential support for supply-chains in the Green sector across Wales. Most of these clusters are run on tight budgets, by volunteers, thus if the Welsh Government wishes to maximise opportunities from these clusters; clear and dedicated long-term support is needed, to enable the widening of the clusters' reach to supply chains, and provide the support and guidance needed to maximise opportunities in this sector.

Without the support of clusters like these, companies will have diminished visibility of the green sector, and will therefore be less likely to connect, network and form collaborations, resulting in less jobs within the sector.

Skills



Similar key targets and obligations should additionally be mandated within skills. There already exists a [skills gap north Wales](#), which is projected to grow over the coming years as we see new developments in either offshore energy, nuclear or both. To maximise the potential economic opportunities, the Welsh Government need to ensure that local people have the appropriate skills to benefit from the job opportunities these developments will bring. As with the supply chain, there needs to be cross sectoral collaboration, and a clear pipeline of opportunities to give HE and FE institutions the confidence to develop the appropriate courses, giving people the choice to train in the relevant sectors.

It is important that the Welsh Government work with regional partners across the sector to highlight and promote the jobs that are in Wales, highlighting future opportunities. We are hearing from our ecosystem/networks? that there is a shortage in engineers, we are therefore looking to set up a specific programme to support that, and Welsh Government should also be focusing on specific areas and supporting the development of skills to support the growth of the green economy.

Ensuring that those already working in the sector have access to the skills and training required to ensure they are up to date with latest developments and can transition between sectors will be especially important when supporting the green economy. There is a clear lack of awareness of the types and availability of green jobs, especially across [north Wales with young people still believing they have to leave the region to find 'high-value' jobs](#). The skills gap will be harder to manage and will need a more targeted intervention to maximise economic impact from the green sector. At M-SParc, we deliver a [skills academy](#) programme which aims to bridge the skills gap with 6month placements in industry, to facilitate the entry into skilled sectors, and ensure we don't lose out on these job opportunities.

Certainty

There also needs to be a more coordinated approach across the sector to ensure there is a pipeline of opportunities for companies, to instil confidence and de-risk any investments needed by companies to maximise the opportunities from the sector.

There is a key role for the Welsh Government to work within its devolved powers, and through working UK Government, to deliver a clear timeline for future projects and the associated opportunities to de-risk investment into supply chain and skills ahead of project development. Without this, we will not be able to fully take advantage of the huge skills and supply chain opportunities and ultimately, these opportunities will be lost to elsewhere. The Welsh Government needs to maintain pressure on the UK Government to deliver on agreed projects and objectives and ensure Wales is at the forefront of these discussions, especially if the projects are being hosted in Wales.

Companies, especially SMEs (which make up over 99.3% of enterprises in Wales) cannot invest in new products, processes, jobs or skills without a clear pipeline of opportunities – the risks are too large for companies to commit to large costs or changes for just one project, which may still be uncertain. If companies were confident in the pipeline of opportunities, they would be able to scale up to the demands of the green sector and bring about the associated benefits. Without that certainty, it is more likely that larger, more established companies from outside of Wales will be better placed to take advantage of the opportunity, which will not result in the same levels of economic development for Wales.



The consenting process for new developments is long, complex and expensive and is a barrier for the green economy in general, not just in Wales. We are in a climate emergency, both UK and Welsh Government have acknowledged this and yet barriers to development persist. If projects continue to take decades to develop, we will never realise our climate goals, let alone the associated opportunities from the green economy. The Welsh Government needs to continue to put pressure on the UK Government to ensure a timely progression of projects and to ensure the Welsh supply chain and communities benefit from hosting the developments.

Innovation

Wales has an incredible innovation ecosystem with key innovation centres such as [M-SPARC](#), [Aber Innovation](#), [AMRC Cymru](#) and [Tramshed Tech](#), giving a true opportunity to lead a green innovative economy in Wales. The Welsh Government needs to continue and enhance support for innovation within the green sector. There is often a barrier to technology adoption, but Wales should be targeting these opportunities and become the home of green innovation by creating an ecosystem where pilot projects thrive.

Another potential route to maximising the economic opportunities would be for the Welsh Government to take a more active role in key developments. Welsh Government should explore the option of partnering on projects, through Ynni Cymru or similar bodies. This would give the Welsh Government the power to deliver impact, control the local supply chains, skills and potential community benefits schemes associated with the developments. This would be an innovative approach to new developments. The establishment of Ynni Cymru has given the Welsh Government a unique opportunity to partner on and support green projects across Wales.

Welsh Government also need to be targeting the current community benefits schemes, as the current system is not adequate and will not deliver the economic impact desired. There needs to be more strategic thinking about this funding, small pots of funding for community councils to host projects in their local area are not enough and a more ambitious approach is required. Developers should be given clear guidance on the commitments expected of them to host projects in Wales. We need to be bold in our ask – there are limited development sites and therefore Welsh Government could be in a strong bargaining position and use it accordingly.

Overall, the Welsh Government needs to be more proactive in supporting the green economy and giving adequate support to Wales' supply chain clusters and skills, before the opportunities are missed. SMEs need increased confidence to invest in new supply chain techniques or up-skilling, and the Welsh Government needs to provide that certainty, support and guidance to allow Wales to take advantage of the green economy.

Green Economy - Consultation

The Economy, Trade and Rural Affairs Committee is holding an inquiry into the [Green economy](#)

Invitation for Ambition North Wales to give evidence: 22 May, 2024 (10:25 – 11:25)

Terms of reference

1. Within its devolved powers, what should be the Welsh Government's key priorities to maximise the potential economic opportunities from green economy sectors? To what extent does its current approach reflect these?

Renewable energy - Within its devolved powers, the Welsh Government should prioritise the development of renewable energy sectors, such as green hydrogen, solar, wind, and marine energy, which leverage the natural resources available in Wales. It should continue to seek a balance between private sector investment and community ownership of energy, ensuring that benefits from public sector investments in renewable energy from Wales strengthen our economy and resilience.

Sustainable agriculture and horticulture - Additionally, focusing on sustainable agriculture and horticulture will harness significant economic benefits while strengthening the health of our workforce and land. We have plentiful natural resources that underpin a strong food system, but Government policy can seem siloed and overly focused on short-term economic benefits, at the expense of longer-term economic costs to public health (from obesity, polluted runoff, antibiotic resistance etc) and to the natural systems on which our economy relies (e.g. soil depletion, collapse of pollinator populations etc). We can also miss the benefits and advantages of our food system within our local communities. We welcome the opportunities that will come from changes to public sector procurement rules supporting consideration of sustainability alongside cost and quality, investment in community food partnerships and more specific recognition of horticulture within the sustainable farming scheme (smaller acreage, more accessible funding etc).

Business decarbonisation - The current approach in Net Zero Wales includes setting ambitious carbon reduction targets and funding for green projects, but this could be expanded further to leverage innovation in sustainable technologies through universities, private sector investment and public-private partnerships. More work is needed to test the robustness of proposed decarbonisation technologies and capital investments – ensuring tangible reductions in emissions are tested at each decision-gate. A united focus on supporting businesses to decarbonise – taking account of the regional natural assets that will support this transition for businesses.

Strengthening everyday sectors - The integration of long-term economic planning, programmes, and investment through mechanisms such as City and Growth Deals, Investment Zones and Freeports have real potential to align government policies with sustainable jobs and economic opportunities, however Governments and stakeholders must accept that the benefits and addressing these chronic economic issues and growth areas will take time. Also note the risks associated with this approach, set out in the next section on barriers.

Climate adaptation – we are now likely looking at global heating of 2.7 degrees or more, so on track for significant sea level rise, flooding as we've never seen before and heatwaves that will threaten our digital, transport and education infrastructure. Therefore alongside continued emphasis on decarbonisation and nature positive actions in support of a green economy, it will be critical to ensure all policies and investments now also drive towards adaptation. In addition to adapting infrastructure (e.g. tanking as standard in flood zones), businesses will need 'product pivot plans' for a range of scenarios (such as we saw in Covid with distilleries producing hand sanitiser) and to build emergency planning skills e.g. staff transport to work protocols during extreme weather events.

2. What are the key barriers to Wales making the most of opportunities in the green economy, and what steps should be taken to overcome these?

The most significant barrier remains a lack of shared understanding among private and public sector leadership teams of the severity of the crises and urgency of change from “business as usual” to the long-term/prevention mindset expected from the Wellbeing Act Ways of Working. Lack of consensus on this invites and enables ‘greenwashing’ within policy and investment decisions, which undermines progress towards the prosperity and resilience envisaged by the Wellbeing Act.

Instead:

Future Trends Reports (or more succinct presentation of possible futures e.g. [Policing 2040](#)) could be more integrated into processes led by either Welsh Government or by local authorities, with business cases for public funding tested by Assurance teams against these scenarios.

Greater direction on which data sources should be used for local authority risk assessments to include sources such as the [Third UK Climate Change Risk Assessment for Wales 2023](#) (which shows 51 out of 61 risks require more action or further research, and 26 risks having increased in urgency since the last risk assessment) and the [Climate Change Commission ‘Progress in Wales’ adaptation report 2023](#) (which detailed a picture of ‘unintentional neglect’ of climate risk assessment in most local authority corporate and decarbonisation plans, public service boards, NRW Area Statements and Growth Deals).

Guidance and support is needed to help private and public sector leadership teams raise these issues appropriately within their teams and communities, providing clear practical guidance on what individuals, communities, council teams and businesses need to do.

Time and resources are needed to support this work – yet processes remain too rushed. Ambition North Wales participated in the OECD Wales 2037 visioning process (which might have been better informed by the Future Trends reports) but had only a couple of weeks notice to participate so key individuals / organisations were not able to attend due to calendar clashes. Similarly, the process developing the Regional Economic Frameworks could have been more robustly grounded in future scenario analyses.

While Regional/City Deals and Investment Zones can offer opportunities to further Green Economy ambitions as set out in the section above, we must also recognise that (1) construction and infrastructure projects generate up to 50% of UK carbon emissions (2) the [benefits of accelerating decarbonisation are consistently found to Outweigh the Costs \(imf.org\)](#). We therefore risk undermining Green Economy ambitions unless such investments are planned and delivered in a manner consistent with the Wellbeing Act.

Instead

Ambition North Wales experience indicates that [early screening](#) of projects for their full costs (including emissions and biodiversity impacts) and benefits (including jobs, investment etc) at an early stage (e.g. Strategic Outline Case) can save significant design, planning and engagement costs (including local authority resources) by only developing projects that genuinely likely to deliver environmental *and* economic benefits. Significant recent research shows that [continuing to divorce environmental realities from economic decisions is dramatically undermining regional economies](#), and this will get worse before it gets better.

Delivery of the [pioneering approach led by Ambition North Wales and Arup](#) has shown key moments to assess and influence emissions reduction in infrastructure project development processes, recognised as [one of three leadership case studies in the PAS 2080 national carbon infrastructure guidelines](#). The key moments include:

- Inclusion of emissions in economic analyses (benefit cost ratios) used to test project viability
- Design scope that requires net zero operational emissions, reduced embodied carbon and biodiversity net gain (avoiding later retrofit costs)
- Procurement documentation that incentivises low carbon, nature positive choice of materials and project delivery as core elements (boosting regional skills)
- Procurement documentation that includes social value opportunities related to decarbonisation / nature positive skills and impacts.

3. What actions should the Welsh Government take to support development of Wales-based supply chains in green economy sectors?

Construction sector actions:

- Policy Framework:** Welsh Government should be ambitious in policy setting to incentivise sustainable construction practices and ensure consistency across funded programmes (e.g. Sustainable Communities for Learning, Growth Deals, Freeports and Investment Zones). This could include setting targets for carbon reduction, energy efficiency, waste reduction and biodiversity conservation within the design and construction sectors. [Ambition North Wales set the following targets in March 2021 and is finding that Growth Deal partners and Welsh construction companies can deliver against them](#): net zero operational emissions, 40% reduction in embodied carbon (from the Green Building Council 2030 target) and a 10% Biodiversity Net Gain (from DEFRA business case) – see note in (2) above about the key moments to support delivery against the targets.
- Supply Chain Development:** While it is critical to incentivise sustainable construction products and services through procurement e.g. [NEC/X29](#), there are risks that local businesses may not have the skills and capacity to deliver to pioneering sustainability criteria. Significant support is needed to develop local supply chains for sustainable construction materials and products, including training and development incentives, and fostering partnerships between designers, suppliers, manufacturers, and construction firms. Ambition North Wales and its partners have held virtual and on-site engagement events to orient potential suppliers to the targets and measurement approach it has developed to support those suppliers in effective delivery.
- Invest in R&D and manufacturing of low-carbon materials:** Replacing steel frames with timber (which could stimulate demand for Welsh timber) is being explored by some Growth Deal projects as a result of applying our emissions methodology. However, it should be noted that use of new materials can mean additional testing costs or risk needing replacement if the new (lower-carbon) material fails in some way – there is a cost attached to the risk associated with new materials/processes.

Sustainable agriculture and horticulture actions:

- a) **Increasing production of Welsh fruit and vegetables into public sector procurement** (schools and hospitals) could provide the scale of demand that incentivises more horticulture production by Welsh farmers, either through direct diversification or through partnerships (CSAs) with local growers – as well as support healthier children by reducing consumption of ultra-processed food through free school meals. Producing some of the food that is currently imported into the UK could provide employment with Food Sense Wales data on [employment pathways into horticulture, indicating the potential for 3.2 jobs per acre \(around 1000 jobs across Wales\)](#) by increasing number of market gardens, and employment pathways for people struggling with mental health. Limitations to scale in this area are consistently access to land, limitations on government funding (subsidies do not apply as most market gardens are less than 5 acres), and [access to training / skilled employees](#).
 - b) **Investing in production facilities** - Projects such as the Glynllifon Rural Economy Hub can support diversification for farmers and the scaling of local producers into small and medium businesses. Consideration of abattoir capacity and other meat processing facilities is also needed to retain and build a skilled workforce in this sector, and retain value of lower-carbon (grass fed) livestock products within Wales.
 - c) **Also see skills section below**
4. **What skills challenges exist in relation to transitioning to a green economy? What actions should be taken, and by whom, to ensure the skills are there to meet the growing demands of a green economy?**

Along with demographic change and advances in technology, the transition to green skills is a key trend to transform the economy and labour market. The need for green skills is not just about new green jobs, but also greening existing roles, increasing economic growth and productivity, and creating opportunities for people of all backgrounds. As we move towards net zero, the role of schools, both primary and secondary, further education, higher education, and apprenticeship providers in equipping young people with the green skills employers require is crucial.

The North Wales RSP is working with Welsh Government on delivering the actions articulated in the Net Zero Wales Skills Action plan. The 7 priority emissions sectors and priority areas of development have been articulated and all partners and stakeholders should work within this action plan to make changes required. Identifying key milestones is a critical element in helping to plan and understand the skills needs. These milestones should be set by Welsh Government.

North Wales has a slightly higher percentage of people working in sectors that are likely to be exposed to green transition than the Welsh average. Construction employs slightly higher percentage of people in the region at 13.4% compared to 11.5% in Wales. Agriculture is 4.4% in the region compared to 3.1% in Wales. These are some examples that suggests a higher proportion of workers in North Wales may be at risk of being impacted by the transition if we are not able to reskill the existing workforce.

Key Skills challenges:

- **Better understanding the emerging skills needs and addressing reskilling & future skills provision** - The direction of travel to meet the net zero skills commitments is further ahead in some emission sectors than others. In some sectors there is confusion amongst employees,

industry, businesses and stakeholders on the direction of travel and how these changes could impact on the skills of their workforce or an individual's career pathway. North Wales RSP consultation with employers in the region has identified skills gaps across all sectors and emphasised the importance of identifying and filling them, however, more details is needed on the qualifications needed. There is a need to understand reskilling needs to allow individuals to respond to opportunities in the labour market. There is also a need to develop the future workforce through curriculum development in schools, FE and HE. Skills requirements will continue to evolve as decarbonisation accelerates and there is a need to understand what these skills needs are and how we can fully utilise transferable skills to allow the skills system to respond and deliver effectively. Understanding this picture across all sectors in Wales is a currently a challenge. We are awaiting the response from the Net Zero Skills consultation undertaken by Welsh Government last year, but this will hopefully articulate the direction of travel and range of skills needs by sectors required to support the current and future workforce. Welsh Government will then need to create policy and legislation that embeds this in the skills system in Wales,

- **Skills system in Wales needs to be flexible** – The Skills System in Wales need to adapt to changing needs. There are various funding pots available to support skills provision in Wales which is encouraging but we need to ensure that all funding is joined up and that the system is flexible enough to meet evolving industry needs and new emerging occupations in a sustainable way. Micro-credentials and other training programmes tailored to net zero skills across sectors will be required and the system will also need to consider lifelong learning and continuous CPD to ensure that the workforce is keeping pace with the evolving skills landscape. The transition requires a workforce skilled in the principles of circular economy, digital literature and sustainability and these need to embed **across** the system, be that FE, HE, Apprenticeship / Work-based learning. There is a role here for Welsh Government but also for FE/ HE and training providers and broader stakeholders.
- **Clear Pathways and Careers Advice**– The changing skills system needs to be supported with clear pathways and investment in new skills and ensuring individuals have a seamless transition **from** schools to post compulsory education. This includes the need to accelerate existing careers and information pathways within schools around all green related careers. Having the right careers information, advice and guidance is crucial, ensuring that young people understand the opportunities available to them and skills required by specific sectors.

A partnership approach is needed to ensure this transition. Industry and sectors will need to agree the range of skills required to support the workforce and share knowledge and create joint solutions with Welsh Government and other partners. This is the aim of the Welsh Government's Net Zero Skills Action Plan for Wales which articulates a clear roadmap setting out current detailed skills position for each sector in Wales, what skills are needed in the short and longer term and how this will be achieved through continued partnership working.

Mainstreaming Carbon and biodiversity literacy

An urgent and critical gap is mainstreaming carbon and biodiversity literacy across all sectors. Low levels of understanding around how every procurement has some carbon and biodiversity impact means that investment decisions continue to be taken without full understanding of the implications for decarbonisation pathways, prioritising only short-term economic aims in mind. This significantly undermines green economy aims. Costs are also increased for public and private sectors as even basic

decisions require expensive consultants – especially as well-informed, carbon and biodiversity literate consultants are now over-subscribed. Decision-makers across all private and public sectors should be incentivised to have carbon and biodiversity literacy plans in place for their business - from basic literacy, through life cycle carbon assessments / biodiversity net gain (or net benefit), to strategic decision making. Even where this is being delivered (e.g. through the Welsh Local Government Association) training numbers are concerningly low.

5. What will workers and employers need for a just transition to a Net Zero economy to be achieved, and what actions should the Welsh Government take to deliver the elements of this that lie within its devolved powers?

- a) **Skill development and training:** As set out above, new jobs in sustainable industries need to replace those that will be lost in traditional fossil fuel powered sectors. Workers will need opportunities for reskilling and upskilling to adapt to new industries and technologies. This needs careful mapping (e.g. [Preparing for a just transition in Yorkshire and the Humber | New Economics Foundation](#)) and will need continued public and private sector investment in training programmes focused in particular on renewable energy, sustainable agriculture and green construction.
- b) **Worker support and social safety nets:** There should be robust social safety nets in place to support workers who may be displaced during the transition. This could include unemployment benefits, job placement services, and financial assistance for retraining. An example could be the recent calls for a Universal Basic Income for farmers as they navigate the transition to lower-carbon agriculture e.g. [British farmers want basic income to cope with post-Brexit struggles](#)

For the Welsh Government, actions within its devolved powers to facilitate a just transition include:

- **Investment in Infrastructure:** The government can invest in renewable energy infrastructure, public transportation, and energy-efficient buildings to create jobs and reduce carbon emissions – ensuring the investments genuinely support pathways to a lower carbon, nature positive green economy.
- **Support for renewable energy:** As discussed above, the government should continue to provide incentives for communities and businesses to invest in renewable energy projects, such as wind and solar farms, and support research and development in clean energy technologies. Such investments should consider prioritising energy strategic and foundational economy sectors such as food businesses to support food affordability and build sector resilience. Communities – particularly small and rural communities – will need support to fund feasibility studies and set up local energy companies.
- **Green procurement policies:** The government can implement green procurement policies to prioritise the purchase of goods and services that have a low carbon footprint, supporting businesses that are committed to sustainability. As discussed above, this can be linked to supporting procurement of healthier less-processed food into schools and healthcare settings.
- **Health considerations:** As the cost of living and climate crises continue, they will likely continue to impact people’s mental and physical health, and further investment will be required to support workers wellbeing and pathways back into work. As is well-documented, Wales (and the UK) have become reliant on low-quality, cheap food which is driving health issues such as obesity. Yet – if not proactively managed - the increased costs of healthier, more sustainable

food produced locally could exacerbate the cost-of-living crisis for vulnerable households. Distribution of food parcels for those in work and not is heavily reliant on volunteers, and the combined impact of increased energy and food prices has meant a share decline in food surplus anyway. If [supermarkets are able to tax food surplus](#) going to vulnerable households, could tax be used to incentivise farmers to contribute more food into local supply chains to those vulnerable families? This could help reduce waste at source, reduce food miles and increase local employment through distribution/production hubs.

6. How will the Welsh Government need to work in partnership with others to realise the potential of the green economy and deliver a just transition? To what extent is the partnership working that is needed being undertaken?

The Regional Growth Deals are incentivising partnership working across regions. While this is still a relatively new way of working (3 years), we have seen value created already with examples, learnings and expertise shared across organisations – even where there might otherwise have been some competition. Partners have come together to co-deliver Growth Deal projects e.g. three private sector businesses and a charitable trust collaborating to deliver the Tourism Talent Network project.

Partners have also been supported to engage in collaborative bids for further funding e.g. Food Partnerships funding across all North Wales local authorities, and the Rural Wales Local Partnership for Innovation partnership (LPIP) led by Aberystwyth University looking at net zero transitions.

Informed by experience within the international development sector, the [Civil Society Partnership Review \(November 2016\)](#) found that the complexity and scale of global development challenges requires the unique competences of the private, public and third sectors be brought together and led a rapid increase in funding from DFID for innovative and collaborative working e.g. [UK Aid Connect - GOV.UK \(www.gov.uk\)](#) – example of consortia funding and [FAQs](#) useful in explaining how the consortia piece works. If structured and implemented well, consortia provide opportunities for smaller organisations/businesses to build experience and capacity.

A significant risk to avoid from the experience in international development is large actors controlling all the funding. It is critical to provide early and significant capacity support to smaller players.

7. The Welsh Government says it will face considerable budgetary constraints in the short term. How should it prioritise investment to support development of the green economy over the shorter and longer-term? What innovative approaches to financing could be considered to maximise potential investment and benefits?

More robust gateway decisions on whether projects will genuinely deliver promised growth benefits (jobs, investment etc) alongside decarbonisation and equity considerations

Prioritising investment in the green economy within the constraints of both fiscal budgetary limits and carbon budget constraints will require strategic allocation of resources and a robust communication strategy informed by behaviour change expertise.

Focus on High-Impact Projects: Identify high-impact projects that can deliver significant environmental *and* economic benefits in the short term. This will include investments in renewable energy infrastructure, energy efficiency upgrades for critical public infrastructure, and sustainable transportation initiatives. Invest to build regional resilience in the medium to longer-term considering adaptation (flood defences, draining systems etc), carbon sequestration, habitat for biodiversity and food production.

Public-Private Partnerships: Collaborate with the private sector to leverage additional funding for green projects. Public-private partnerships can help share the financial burden and attract private investment in renewable energy, sustainable infrastructure, and other green initiatives. Also support community-based initiatives to build resilience to climate change impacts such as funding for community-led adaptation projects, climate education and awareness programmes, and capacity building for local organisations.

Incentives for Green Innovation: Provide financial incentives for businesses to innovate and develop green technologies. This could include grants, tax incentives, and research funding for companies working on renewable energy, clean transportation, and sustainable agriculture.

Green Bonds and Financing Mechanisms: Issue green bonds to raise capital for green projects. Green bonds are specifically earmarked for environmentally friendly initiatives and can attract socially responsible investors. Additionally, explore other innovative financing mechanisms such as green loans, crowdfunding, and impact investing.

Investment in Research and Development: Allocate resources to research and development in green technologies and practices. By investing in innovation, the Welsh Government can drive down costs and accelerate the transition to a green economy in the long term.

Skills Development and Training: Prioritise investment in skills development and training programmes to support the transition to a green economy. This could include funding for vocational training in renewable energy, energy efficiency, and other sustainable industries to ensure that the workforce has the skills needed for green jobs.

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Agenda Item 7

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Agenda Item 8

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