

## Wylfa Newydd

### Summary

Wylfa Newydd will be the largest private sector project in Wales in a generation. The project is at a critical juncture. This paper outlines the opportunities and potential impacts of the project and makes recommendations about how the Welsh Government can influence the project and manage the impacts to deliver a lasting legacy, aligned with its priorities.

### Background

1. In 2006 the UK Government gave the go ahead for a programme of new nuclear power generation. Following its announcement in July to pause and review all components of the EDF Hinkley deal, the UK Government reiterated its commitment to nuclear new build, stating the UK needs a reliable and secure energy supply and that nuclear energy is an important part of this mix. The Wylfa project is not currently affected by developments in relation to Hinkley Point.
2. Developers are currently planning to build up to 16GW of new low carbon nuclear power capacity in the UK, with the first new reactors expected to be operational in the mid-2020s.
3. Following the acquisition of Horizon Nuclear Power by Hitachi in 2012, Horizon plan to deliver the Wylfa Newydd project. The project involves the deployment of two UK Advanced Boiling Water Reactors (UK ABWRs). A further two reactors are subsequently planned for Oldbury in Gloucestershire.
4. The £12 to £14 billion Wylfa Newydd project will be the largest private sector infrastructure investment in Wales in a generation. The project, a summary of which is given at Appendix 1, represents a complex series of infrastructure packages encompassing site clearance and preparation; construction of a 2,700MW power station on a 150 hectare site capable of powering 5 million homes; all associated and supporting infrastructure in respect of electricity transmission, transportation and logistics, housing, training, waste storage facilities; as well as measures to mitigate impacts during construction and operational phases. As context, the original Magnox Wylfa station accommodated a 21 hectare site and had a generating capacity of 980 MW.
5. Subject to gaining all the necessary approvals, first power generation is scheduled for 2025, with construction due to start in 2019/20. The peak construction workforce is estimated to be in the region of 11,000 with 25% of these jobs being taken up by the local workforce. The power station will be operational for 60 years and will directly sustain approximately 1,000 jobs primarily (98%) sourced locally. A further 1,000 jobs will be created to manage essential maintenance at regular outage intervals throughout this 60 year period.
6. The go ahead for Wylfa Newydd will primarily depend on a series of approvals from the UK Government and the raising of sufficient finance by Hitachi.





proactive programme of sustained and coordinated Welsh Government interventions and support. As with any other inward investment or major project in Wales, complementary and proactive support by the Welsh Government and other stakeholders on skills, supply chain, infrastructure and so on presents an opportunity to add significant value and ultimately deliver the best value for money for Welsh Government expenditure.

23. In a 'do nothing' scenario, Wylfa Newydd through the wide and complex range of impacts expected, will present a burden on the Welsh budget. Whilst the core project costs will be shouldered by the developer, it is clear there is a significant potential for impact costs to be transferred to Wales (e.g. the healthcare provision costs for thousands of project workers; impacts on accommodation and tourism accommodation; impacts on Welsh language) for which the Welsh Government must ultimately be compensated. There are statutory mechanisms in place such as Section 106 Agreements via the Town and Country Planning Act, to secure the necessary compensation. With a more strategic approach to impact mitigation, especially in respect of mobilising complementary public and private sector funding, there are opportunities to derive wider benefits at a regional scale and beyond. For example, sustained investment in Welsh medium skills and education on Anglesey presents the opportunity to mitigate language impacts as well as help secure local people's access to high quality and long term employment. Such a strategic approach could be utilised as a vehicle for extending benefits realisation across a far wider geographical area.
24. Wylfa is a global priority for Hitachi and a UK priority for the UK Government. It could be argued that as a matter of principle, both the developer and the UK Government should provide additional funding to offset the cost of hosting this flagship project, contribute meaningfully towards offsite infrastructure and facilities as well as supporting projects that provide the area with an ongoing legacy. Set within this context and the above, it is suggested a proactive approach could be adopted by the Welsh Government to making complementary investment that leverages influence and maximises opportunities to make Wylfa Newydd a vehicle for delivering wider prosperity benefits for Wales and be aligned with delivering other Welsh Government priorities, for example affordable housing and apprenticeships.

### **Wylfa Newydd – Welsh Government approach to legacy**

25. The Welsh Government interaction with the Wylfa Newydd project during the last Government's term was driven from the economy perspective. The primary focus has been to deliver a suite of reactive and stand alone supply chain and skills projects within the context of existing programmes. We are now at a juncture where a more comprehensive cross Government interaction is required.
26. At the start of this Government's term, Wylfa Newydd is at a crucial juncture whereby material decisions on the shape, cost and financing of the project are being made by Horizon and the UK Government, under the strong influence of Ynys Môn as the host community. These decisions will directly impact the legacy delivered by this project in the long term. In order to stand any chance of shaping a legacy that delivers for Wales and against our stated priorities, the Welsh Government, on a cross government basis, needs to significantly heighten its engagement with the project and directly exert influence on these decisions being made.

27. In specific terms, this means there must be clarity on what legacy outcomes, founded on the principles of the Well-being of Future Generations (Wales) Act, the Welsh Government aspires to achieve and also clarity on what actions and interventions we are willing to make. Within this context, the Welsh Government should seek to enter into negotiations on contributions from the UK Government and Horizon, consider how Welsh Government policy can contribute to maximising benefits and consider aligning some of our plans to this development.
28. It is therefore suggested a clear Welsh Government legacy vision is required which is underpinned by a series of core principles (see Appendix 2) and over the coming months this should be developed into a more sophisticated legacy framework that ties in commitments from Horizon, the UK Government, Ynys Môn County Council and, as needed, other key regional stakeholders. This is based on the premise that all parties share the vision of seeing successful delivery of the project. All parties should therefore be aligned on the legacy this project leaves for Wales and should accept the rationale that coordinated action will deliver added value greater than the sum of any parts. Such a legacy framework presents an opportunity for statutory impact mitigation to contribute towards wider legacy aims. It also allows for more innovative approaches to be explored to deliver a legacy for North Wales and beyond.
29. In parallel, it is suggested direction is required on how far the Welsh Government is willing to go to support the delivery of this legacy. It is suggested the following approach should be taken:
- A) Founded on a clarity of vision, the Welsh Government should immediately seek to heighten engagement with the developer, the UK Government, Ynys Môn and key regional players seeking to exert the maximum influence on key decisions being made over the next 12 months.
- B) The Welsh Government should adopt a proactive interventionist stance to supporting the project (without prejudice to any devolved consent or authorisation):
- To maximise (not subsidise) the private sector investment made through complementary funding and interventions e.g. contributions towards projects such as the third Menai crossing;
  - To invest in the wider North Wales and Welsh economy to maximise value added, extend the reach of the project geographically across sectors, and to underpin the delivery of wider prosperity outcomes. Such investment should also be seen as a mechanism for building the resilience of the North Wales economy, bolster against the impact of displacement and position the region to grow and access other opportunities.
30. Servicing this project, as outlined above, will require a new way of working and consideration should be made to designating Wylfa Newydd as a single and priority cross-Government project. Such a project would need to be serviced by an Official level group responsible for coordinating activity across Government and providing further advice to Ministers.



starts with the UK Government to agree respective funding responsibilities and mechanisms for the project.

36. Given the difficult financial position, further work is required on how the project benefits can be maximised in a cost effective way. This will include considering how existing budgets and policies can contribute to the project to secure the benefits for North Wales. Subject to Cabinet agreement on a Welsh Government approach to the project, further advice will be developed on options for contributing to the wider benefits of the project.

37. Strategic Budgeting are content to clear this under the number SB/0035/5.

### **Communications and publication**

38. Details of the provision in the business cases, as referred to above, could be published in due course subject to their approval.

39. Officials have started to discuss a pan Welsh Government approach to promoting, in Wales and beyond, the huge benefits and opportunities associated with this project.

### **Joined up Working**

40. Officials have started to liaise with Finance and Corporate Services and other Government departments in relation to potential funding requirements. Officials have also started liaising across Government to understand what impact the project will have on delivering Welsh Government functions and priorities.

41. I have fully engaged with the Cabinet Secretary for Environment and Rural Affairs in preparing this paper.

**Ken Skates**  
**Cabinet Secretary for Economy and Infrastructure**

**September 2016**

## Project Summary

A summary of the Wylfa Newydd project is contained within the Stage 2 Pre Application Consultation Overview document. Hard copies are being provided to Cabinet Members. The document can also be viewed electronically at:

<http://consultation.horizonnuclearpower.com/stage-2/non-technical-documents>



## APPENDIX 2

## SUGGESTED LEGACY PRINCIPLES

The suggested legacy framework is based on the vision of:

**Welsh Government is supportive of the project but this support is not at any cost and we expect impacts to be mitigated.**

**Building on a 50 year tradition - Maximise the legacy benefits to Wales from Wylfa Newydd and its associated investments and in so doing seek to grow and sustain a vibrant nuclear sector that is capable of competing at an UK, European and Global scale.**

Through coordinated action and investment across public and private sectors seek to secure the following legacy principles, all of which directly contribute to delivering against the four cross-cutting strategies within the new Programme for Government:

| Suggested Legacy Principles  | Secure and Prosperous Wales | Healthy and Active Wales | Ambitious and Learning Wales | United and Connected Wales |
|--|-----------------------------|--------------------------|------------------------------|----------------------------|
| A higher skilled, qualified and experienced workforce.   | X                           |                          | X                            |                            |
| A more balanced and stronger economy.  | X                           |                          | X                            |                            |
| To protect and sustain cohesive and healthy communities serviced by fit for purpose infrastructure.  | X                           | X                        |                              |                            |
| To create an environment where the Welsh language and culture is actively valued and promoted.   |                             |                          | X                            | X                          |
| Fit for purpose infrastructure road, rail, energy and telecoms that serves the economy and communities of North Wales.   | X                           | X                        |                              | X                          |
| Permanent housing legacy.  | X                           | X                        |                              |                            |
| Fit for purpose commercial and industrial property infrastructure.   | X                           |                          |                              |                            |
| Greater sustainability in the tourism sector.  | X                           | X                        | X                            |                            |
| Enhanced image and perception of Wales.  | X                           | X                        |                              | X                          |
| Maintain and enhance Wales' natural environmental assets.  | X                           | X                        |                              |                            |
| An economic environment which supports and utilises research, development and innovation and specifically focuses on delivering world class centres of excellence in the region. | X                           | X                        | X                            |                            |