

Lesley Griffiths AS/MS  
Gweinidog yr Amgylchedd, Ynni a Materion Gwledig  
Minister for Environment, Energy and Rural Affairs



Llywodraeth Cymru  
Welsh Government

Rt Hon Alok Sharma MP  
Secretary of State for Business, Energy and Industrial Strategy  
Department for Business, Energy & Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

29 May 2020

Dear Rt Hon Alok Sharma,

I have frequently written to BEIS Ministers on the need to change the support offered for renewable generation, if we are to deliver the scale of change needed to tackle the climate emergency. The Contracts for Difference mechanism has a key role as a low carbon stimulus to help counter the significant economic and social impacts of the COVID crisis, whilst also enabling our longer term net zero commitments.

In Wales we are setting out long term plans to support the use of natural resources to achieve our targets for renewable energy, in the Welsh National Marine Plan and the draft National Development Framework. The CfD mechanism will be central to the delivery of these plans, which contribute to UK and global goals in additions to increasing Welsh prosperity.

I was disappointed by the level of engagement with Welsh Government on developing the proposals in this consultation. UK Government retains many of the levers which must be used in order for Wales to reach our ambitious carbon reduction targets. However, these proposals also relate to devolved matters. Only by real and open engagement will we establish UK programmes which enable us all to deliver on our ambitious climate commitments, whilst benefiting all regions of the UK.

Welsh Government is broadly supportive of UK Government's vision for the future of the energy system and the proposals in the Contracts for Difference consultation. This is particularly welcome as it follows the anniversary of our declaration of a climate emergency.

We welcome the proposal to open the next auction in 2021 to onshore wind and solar technologies. We have repeatedly called on UK Government to include these least cost technologies, which are important in ensuring the transition to zero carbon is delivered in a cost effective way. The commitment to a single auction is of concern. Our feedback from the sector indicates a longer term commitment is more likely to drive development.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

[Gohebiaeth.Lesley.Griffiths@llyw.cymru](mailto:Gohebiaeth.Lesley.Griffiths@llyw.cymru)  
[Correspondence.Lesley.Griffiths@gov.wales](mailto:Correspondence.Lesley.Griffiths@gov.wales)

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.

We also welcome the proposal to move offshore wind out of pot 2. This is extremely important to address the challenges for less developed technologies, which is a significant concern for our marine ambitions in Wales. However, the case for establishing a third pot is not clear. It will be useful to see the industry's responses on whether it would be more appropriate for offshore to go into Pot 1, given the reduction in costs achieved to date.

Studies have shown that the wind energy potential of the west coast of Britain is similar to that in the North Sea, which if developed in combination with the East Coast offshore wind farm developments, would provide a much more diverse and continuous UK power supply. This combination would also greatly increase the resilience of offshore wind supplies since the likelihood of the much more severe storms we are expecting as a result of the changing climate simultaneously causing catastrophic damage to both East and West Coast offshore wind farms would be much reduced. Therefore it would make sense to have separate CfD Pots for West and East coast projects to ensure such benefits are achieved. This would also ensure a fairer and more diverse spread of economic benefits.

The Offshore Wind Sector Deal has set a 60% value target for projects deploying within UK waters. However, it is unclear how this can be achieved with the cost pressures from an auction approach. Sharing your assessments of this issue would be useful. The pressure to reduce costs implicit in an auction would appear to be at odds with the requirement for 60% of content to be sourced from the supply chain, which we very much support. We are working with supply chains in Wales to ensure they understand the opportunities. However, in a post COVID and Brexit world, we consider a fundamental shift necessary, moving from "lowest cost" to "best value", particularly in considering project supply chains and regional economic benefit. This also supports a move to support further cost reduction for less developed technologies.

The removal of offshore wind from Pot 2 should enable less developed technologies to secure funding, which is welcome in light of our continuing support to marine energy projects. However, I still have concerns about the ability to bring forward the new technologies we undoubtedly need in a net zero future.

Wales has made considerable investment to date, particularly around our research, development and innovation support, provided by SmartCymru and WEFO's €100m marine energy programme. However, there is still a requirement for revenue support to ensure innovative technologies can become cost competitive. The Welsh Government is developing material to respond to the call for evidence which I understand will follow the consultation. My officials are willing to work with yours to inform the funding allocations for the various pots and ensure UK Government funding unlocks public and private sector investment.

Given the significant potential of the floating offshore wind sector, I am concerned by the proposal to cap floating wind to 100 MW. The number of potential projects across the UK and the need, especially in a post COVID economic recovery, for all areas of the UK to be able to benefit from future rounds, would indicate this limit is an unhelpful constraint.

The proposals in this consultation, and the developments they will bring forward, must increase well-being in Wales if they are to be supported here. Any future mechanisms should take into account devolved governments' policies. I am concerned proposals on stronger non-delivery disincentives for example, will limit the potential for the smaller scale and community projects we need in Wales to compete in auctions. We must ensure that local communities are central in policy decisions going forward.

It was disappointing to see no reference to the well-developed policies and approaches in Wales in the document. For example, the [Welsh Government policy on local ownership of energy generation](#) was published in February this year. Welsh Government has previously established a Community Benefit register and guidance. My officials have now shared our experiences with yours on this issue. Prior engagement would have proved an opportunity for reflecting the devolved status of such issues and sharing examples of good practice across the UK.

I understand the development of the Energy White Paper has been delayed by the COVID crisis. This publication will be central to our ambitions for a prosperous and low carbon Wales and has implications for many areas within the remit of Welsh Ministers. I would therefore urge you to involve my officials in its development. Whilst they have received occasional updates, we have yet to see any content. If the White Paper is to be credible, it must address the key issue of how the costs of decarbonising the energy system will be distributed. This issue is key to a just transition, which enables action at the pace needed for a low carbon Wales, whilst improving prosperity for the least affluent.

Welsh Government should have the opportunity to work together with the UK Government on policies which meet the needs of all regions of the UK. I expect you will ensure your officials involve Welsh Government, particularly during the development of the evidence and policy where we can help shape thinking, rather than at the later stages.

I am copying this letter to the Secretary of State for Wales.

Regards  
Lesley

**Lesley Griffiths AS/MS**

Gweinidog yr Amgylchedd, Ynni a Materion Gwledig  
Minister for Environment, Energy and Rural Affairs