

Agenda – Climate Change, Environment and Rural Affairs Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 22 November 2018

Meeting time: 09.00

For further information contact:

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1 Introductions, apologies, substitutions and declarations of interest

(09.00)

2 Motion under Standing Order 17.42 (vi) to resolve to exclude the public from items 3, 4 and 8 of today's meeting and for the meeting on 28 November 2018

(09.00)

**3 Scrutiny of Welsh Government Draft Budget 2019–20:
Consideration of draft report**

(09.00–09.15)

4 Correspondence from the Chair to the Cabinet Secretary for Energy, Planning and Rural Affairs regarding the Committee's inquiry into payment for public goods

(09.15–09.30)

(Pages 1 – 8)

Attached Documents:

Private Paper



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

5 Scrutiny of the Welsh Government Draft Budget 2019–20: evidence session with the Cabinet Secretary for Economy and Transport

(09.30 – 11.00)

(Pages 9 – 38)

Ken Skates AM, Cabinet Secretary for Economy and Transport

Simon Jones, Director Economic Infrastructure

Prys Davies, Head of Decarbonisation and Energy

Attached Documents:

Research Brief

Paper – Cabinet Secretary for Economy and Transport

Break (11.00–11.15)

6 The Climate Change (Wales) Regulations 2018: evidence session with the UK Climate Change Committee

(11.15 – 12.15)

(Pages 39 – 51)

Dr Rebecca Heaton, Committee Member – UK Climate Change Committee

Dr David Joffe, Secretariat Team Leader: Economy-wide Analysis – UK Climate Change Committee

[Explanatory Memorandum to The Climate Change \(Wales\) Regulations 2018](#)

[The Carbon Accounting \(Wales\) Regulations 2018](#)

[The Climate Change \(Carbon Budgets\) Wales Regulations 2018](#)

[The Climate Change \(Interim Emissions Targets\) \(Wales\) Regulations 2018](#)

[The Climate Change \(International Aviation and International Shipping \(Wales\) Regulations 2018](#)

[The Climate Change \(Net Welsh Emissions Account Credit Limit\) \(Wales\) Regulations 2018](#)

Attached Documents:

Research Brief

7 Paper(s) to note

7.1 Correspondence from the Chair to The Rt Hon. the Lord Deben, UK Climate Change Committee Chair regarding the Climate Change (Wales) Regulations 2018

(Pages 52 – 56)

Attached Documents:

Letter from Chair – 12 November 2018

7.2 Correspondence from the Chair to the Cabinet Secretary for Energy, Planning and Rural Affairs regarding the Climate Change (Wales) Regulations 2018

(Pages 57 – 61)

Attached Documents:

Letter from Chair – 13 November 2018

8 Consideration of oral evidence

(12.15 – 12.30)

Document is Restricted

Document is Restricted

Memorandum on the Economy and Infrastructure Draft Budget Proposals for 2019-20

Climate Change, Environment and Rural Affairs Committee – 22 November
2018

1.0 Introduction

This paper provides information on the Economy and Transport (E&T) budget proposals as outlined in the 2019-20 Draft Budget Detailed Proposals published on 23 October 2018 as far as they relate to the remit of the Climate Change, Environment and Rural Affairs Committee.

2.0 Strategic Context

Over the longer term we will need to share resources across public services and collaborate with our partners to achieve long term efficiencies. The Plans are underpinned by legislation and support our *Prosperity for All* commitment to move towards a more resource efficient economy. I will continue to consider how my budgets are best employed to deliver the low carbon agenda and how we can align our carbon budget and financial budget planning cycles.

2.1 Legislative Framework

The Environment (Wales) Act 2016 places a statutory duty to reduce emissions in Wales with at least 80% reduction in emissions by 2050 and a series of interim targets and five yearly carbon budgets to support delivery. This is vital within the context of our existing UK and international obligations and sets a clear pathway for decarbonisation. It also provides certainty and clarity for business and investment and will require a fundamental change to at least three major national infrastructure networks – Power, Transport and Heat. The challenge is to ensure this essential change is delivered in a way that maintains effective functioning and affordability for consumers and business. There is an opportunity to secure the economic benefit available from implementing such transformational change.

In July the Cabinet Secretary for Energy Planning and Rural Affairs issued a [Written Statement](#) to launch the consultation *Achieving our Low Carbon Pathway to 2030*. The initial Ideas for Action have been developed collaboratively across Government, taking into account the recommendations from the UK Committee on Climate Change and wider evidence. The Decarbonisation Ministerial Task and Finish Group is reviewing the developments alongside wider evidence and together this will inform the Low Carbon Delivery Plan will be published in March 2019.

The Well-being of Future Generations (Wales) Act 2015 with its aim of improving the social, economic, environmental and cultural well-being of Wales underpins the 2019-20 Plans. I have considered how to further embed the principles and the five ways of working in the Act to focus on the long

term; working with people and communities; taking a preventative approach to economic and transport interventions.

2.2 Economic Action Plan

Our Economic Action Plan places decarbonisation as a central pillar for future prosperity. One of its key objectives is to drive sustainable growth and combat climate change, recognising that a growing, sustainable and inclusive economy is essential for a more prosperous, healthier, resilient and more equal Wales.

In addition to setting out the wider actions we are taking to position Wales to respond to the global trend for decarbonisation, the Plan delivers a major policy shift in a number of key areas of direct relevance to the low-carbon agenda, to encourage decarbonisation and support businesses to improve their resource efficiency. We have made considerable progress in implementing these key changes, and in May this year launched our new operating model for direct financial support. Decarbonisation features in all three elements of our new operating model.

Our Economic Contract requires businesses seeking Welsh Government investment to commit to reducing their carbon footprint, alongside inclusive growth, fair work and promoting health and learning in the work place. Our Calls to Action require businesses to respond to the challenges of tomorrow. To secure funding, investment propositions must deliver against at least one Call to Action, one of which is Decarbonisation. Our Economy Futures Fund consolidates a number of existing business finance schemes, including the Environmental Protection Scheme.

These changes aim to ensure that Wales positions itself to receive the maximum economic, environmental, social and cultural benefits that decarbonisation can offer.

2.3 Transport Strategy

The Wales Transport Strategy ([One Wales: Connecting the Nation 2008](#)) is a statutory document required by the Transport (Wales) Act 2006. Covering all transport modes, it sets out our strategic priorities and desired outcomes, providing a link to the wider priorities as well as plans at the local authority level. Section 2(3) of the Act requires Welsh Ministers to keep the Wales Transport Strategy under review and provides the ability to revise it from time to time.

A two tier approach to the replacement Wales Transport Strategy is proposed. The overarching policy statement will set out how transport will work to deliver the four key themes in Taking Wales Forward and deliver against the priority areas set out in *Prosperity for All*. The statement is underpinned by a suite of thematic policy statements which together form a new Wales Transport Strategy. This would in turn, sit under the Economic Action Plan and the National Strategy.

Consultation with both internal and external stakeholders is in progress and engagement events were held in Wrexham, Nantgarw and Aberystwyth in September 2018 in collaboration with the Future Generations Commissioner's office and will continue over the coming months.

The updated Transport Strategy is due to be published in May 2020 and will include a key focus on moving to lower carbon modes of transport to meet both our decarbonisation targets and reduce the growing number of Air Quality Management Areas which have a strong link to transport related emissions.

3.0 Overview of the Budget

The 2019-20 Draft Budget provides a one year spending plan for revenue and a two year spending plan for capital. Whilst the budget was published before the finalisation of the low carbon delivery plan, the Decarbonisation Ministerial Task and Finish Group are working cross collaboratively with the aim of aligning budget planning cycles.

The table below provides an overview of the planned revenue and capital expenditure for the E&T portfolio, excluding areas within the remit of Leader of the House and Chief Whip and the Minister for Culture, Tourism and Sport.

Summary	2018-19 Supplementary Budget June 2018 £000s	2019-20 New Plans Draft Budget £000s	2020-21 New Plans Draft Budget £000s
Resource	540,429	554,581	0
Capital	435,949	546,398	575,234
TOTAL	976,378	1,100,979	575,234
Resource AME	23,619	53,343	0
TOTAL AME	23,619	53,343	0
OVERALL TOTAL	999,997	1,154,322	575,234

The spending plans for 2019-20 and 2020-21 make investments in low carbon programmes and ensure that we are incorporating decarbonisation in long term infrastructure developments. We are also involving people in future decision making to inform our priorities.

3.1 Revenue

The majority of Transport expenditure for programmes and policies may be attributed to primary preventative spend, such as active travel which promotes sustainable modes of transport and thus reducing environmental impacts and increasing activity levels which supports health outcomes. The South and North Wales Metro integrated transport proposals have the potential for transformational change in terms of both decarbonisation and economic benefit.

In June 2018, Transport for Wales (TfW) appointed their Rail Services Delivery Partner, Keolis Amey to operate the next Wales and Borders Rail Services Contract which commenced from 14 October 2018.

The appointment brings significant benefits and opportunities, including a £1.9bn investment programme by the operator which includes a greener state of the art fleet and supports our objectives to bring transformation to communities and people the length and breadth of Wales and its borders, by:

- Creating a network at the heart of communities, accessible to all, and 7 days a week.
- Increasing social mobility and widen access, connecting people with jobs, education, health and leisure.
- Making Wales even more attractive to business and tourists.
- Making travelling by rail enjoyable, enabling people to work and play as they travel on greener, state of the art trains which utilise next generation digital connectivity.
- Investing in new rolling stock.

Revenue funding of £171.250m has been provided for the new rail franchise and services improvements. The new rail contract reflects our commitment to carbon reduction. Treherbert, Aberdare, Merthyr Tydfil, Coryton and Rhymney lines running north out of Cardiff Queen Street will have 100% electric traction, with the electricity sourced from 100% renewable sources (50% from within Wales). There will be a reduction in carbon emissions of 25% across the whole service by the fifth year as a result of introducing the latest generation of low emission Diesel Multiple Units. The new Rail Service contract will also see £800m invested in new rolling stock, which will also reduce the emissions of those vehicles that need to operate via diesel.

Our approach to increasing the modal shift to public transport from private vehicle use, facilitated by the new rail service, will play a large role in minimising the effect of greenhouse gas equivalent emissions and mitigating against the impacts of climate change. Ambitious carbon reduction targets will help to improve air quality, whilst modernising facilities at stations will encourage active travel choices.

The way in which we procure our services can also make a significant contribution in achieving the carbon reduction targets. In collaboration with TfW, a tool to measure carbon omissions for transport has been added to the Community Benefits Measurement Tool.

In progressing the commitments in *Prosperity for All*, I have prioritised investment in bus services to encourage a modal shift from car to public transport. The plans provide £60m for concessionary fares and £32m for bus support which maintains the bus support grant of £25m. It also includes £1m to continue the Traws Cymru free weekend travel, £1m to enhance the youth concessionary fares scheme and £2m to support a bus review.

Improving air quality by reducing carbon emissions is a key objective for bus services in Wales. We have recently commissioned a study which confirmed that a range of measures need to be introduced to encourage more people and especially commuters to transfer their travel from cars to buses. The measures include: attractive fares, improved punctuality, less congestion, greater frequency, high quality standards and more bus priority.

Our plans recognise the importance of working with businesses to promote decarbonisation and reducing carbon footprints. The Business Wales budget of £5.2m supports responsible business practice and provides resource efficiency advice to entrepreneurs and businesses, as well as advice on environmental action planning, workshops and networking activities. A sketchbook and interactive tool have been developed to further promote the carbon agenda.

Business Wales also supports the Green Growth Pledge for businesses to demonstrate their positive impact on the people and places around them and join a growing community of forward-thinking organisations. The Green Growth Pledge is part of the specialist sustainability support and is open to all Welsh SMEs regardless of their industry sector. By signing up to the pledge, each company is asked to make a commitment to one or more actions to help them reduce impact or ensure sustainable performance.

In presenting my plans I have considered all areas of my portfolio and challenged areas with significant impact on the carbon footprint. The major events budget of £3.18m as an example supports major sporting and cultural events. Whilst motor sport events by their very nature have a significant carbon footprint, others, such as Green Gathering festival, not only seek to reduce their carbon footprint but also promote sustainable living. All events in receipt of funding are required to comply with our policy on the environment and work towards BS ISO Standard 20121 for Sustainable Event Management. Of the 23 events supported in 2017, 80% had formal environmental and sustainability policies in place and 60% put in place mitigating actions such as public transport initiatives to limit impact on local environments. Major events officials are working closely with their Environment colleagues to encourage best practice across all events supported by WG.

The Business Development budget (Enabling Initiatives) of £11m is available to drive sustainable growth and combat climate change. The transition to a low carbon economy presents unique challenges and opportunities for renewable energy. In terms of the way we produce energy, we need to ensure that the infrastructure we invest in helps to generate low carbon energy, improves transmission and distribution and ensures we are fit for the future, enabling smart technologies and meters to provide flexible solutions.

The Boiling Water Reactor Research Hub funding of £0.2m supports cross collaborative industrial research which has not been deployed in the UK previously. The nuclear technology may underpin a potential low carbon future energy source. BWR is led by Bangor University, in partnership with

the Imperial College and co-funded by Hitachi GE Nuclear. Revenue funding of the nuclear sector of £1.2m supports a wide range of employment opportunities in the Anglesey and Bangor areas and will support the Wylfa Newydd project, which will generate employment and a lasting energy source for future generations. We are also working closely with the supply chain itself, providing significant direct support through industry recognised programmes such as [Fit for Nuclear](#) and enabling sector networking through our support for the 150 plus member strong Wales Nuclear Forum.

3.2 Capital

The National Infrastructure Commission will provide independent and expert advice on strategic infrastructure needs and priorities. The initial focus will be on decarbonisation and green and blue growth. It will take account of the duties under the Environment (Wales) Act including the sustainable management of natural resources and biodiversity and resilience of ecosystems duty.

Carbon impact was a key consideration in allocating new capital funding alongside the Wales Infrastructure Investment Plan mid point review. The investments in the E&T portfolio will support the well being goals, particularly the drive sustainable growth and combat climate change objective. In recognition of the far reaching benefits associated with greater levels of active travel, an additional allocation of £20m in 2019-20 and £30m in 2020-21 will support our dedicated Active Travel Fund. The active travel schemes will connect residential areas with key employment and education sites and services, enabling many more everyday journeys to be made by walking and cycling, with resulting individual and societal health benefits, as well as economic benefits, reduced congestion, pollution and emissions. The additional funding of £26m each year for the Local Transport Fund also has a focus on pinch points and congestion, including on bus corridors, with the aim of improving journey times.

Tech Valleys aspires to future-proof the economy by capitalising on the opportunities arising from the fourth industrial revolution, by encouraging the adoption of emerging digital technologies that support cutting edge industries, including the automotive sector. An additional allocation of £20m over 2019-20 and 2020-21 will contribute to delivering regional economic development, creating industries of the future underpinned by the spirit of the Economic Contract. This forms part of a £100m commitment over 10 years, to create at least 1,500 sustainable jobs closer to home across Tech Valleys, with the primary focus being Ebbw Vale and the wider Blaenau Gwent area.

Higher levels of circular economy innovation through academic institutions and business are also important in developing a more resource efficient economy. I have maintained the capital budget of £4m in 2019-20 and 2020-21 for business innovation. This levers in significant EU funding and private sector investment. The investment, together with investment in prior years, leverages in £74.33m of EU funding and £55.8m of Private Sector Investment with a total of £130.13m in the 2014-20 European Funding Programme

round. The SMART programmes (SMART Innovation, SMART Cymru and SMART Expertise) support the recyclability, re-use, greater utility, reduced obsolescence, reduced waste, and design for manufacture and material selection. This is in conjunction with the development of new products, processes and designs and will promote the delivery of a prosperous, resilient and globally responsible Wales.

The spending power of infrastructure investment and public service procurement in the rail space will significantly benefit Welsh-based businesses. As a contribution to the wider community, TfW rail services will be transforming disused rail spaces to better meet local needs, support regeneration and community projects helping maintain local facilities that bring people together. The Taff's Well Depot operation investment of £44.9m (2019-20 £16.2m & 2020-21 £28.7m) is a key enabler for Metro Phase 2. The depot will maintain a new modern rolling stock fleet, which will operate on the core valleys line. The sustainable development of rail investment supports the vision for fast, reliable, affordable public transport services connecting major settlements

We continue to work with businesses in the energy sector where by the nature of activities have significant environmental impacts. The Environmental Protection Scheme (EPS) provides support for the most carbon-intensive industries to bring forward investment and installations of technologies that deliver environmental benefits above and beyond the legal minimum required. The scheme has been consolidated into the Economy Futures Fund. Any business must demonstrate its commitment to the Economic Contract and develop a proposal that aligns with at least one of five Calls to Action, including decarbonisation, to access support. The consultation [Achieving our low-carbon pathway to 2030](#) includes a proposal to consider the future of EPS which expires in December 2020. The responses will be considered for the Low Carbon Delivery Plan.

Provision of new business premises will deliver sustainable development and energy conservation through high quality design in accordance with WG Sustainable Building Policy (November 2017). The total capital budget for Property Infrastructure of £17m over the two year period, which levers in EU funding and land and property sales, supports the programme. Decarbonisation assessments are considered alongside the economic benefit such as jobs created both in the businesses occupying those premises and during the construction phases. Currently a review of across portfolios is underway to examine owned sites that are capable of supporting low or zero carbon developments, particularly with respect to housing developments.

In 2019-20 the total revenue and capital funding of £142m is included for Motorway and Trunk Road Operations. We are actively working on areas to reduce emissions at key locations across the trunk road network that have been highlighted as potentially exceeding EU tolerances as well as applying the fundamentals across the network. This includes a package of interventions but linked to the core requirement that reliable networks and

reliable journey times allow an informed choice, allowing road users to alter journey time patterns.

We seek to ensure that our interventions are designed to minimise construction carbon and vehicle emissions and we promote the use of innovative and best practice construction methods, reducing waste, reusing materials on-site and aim to help roll out infrastructure to support the delivery of electric vehicles and connected and autonomous vehicles as well as scrutinising our own fleet to ensure, where possible, the most environmentally friendly solution is adopted such as the Latest Euro standard for HGVs and even trialling Traffic Officer vehicles.

As set out in my [Written Statement](#) of 11 October 2018, the £2m funding for electric charging points, which was agreed in the Two Year Budget agreement with Plaid Cymru, will be used to help create a publicly accessible national network of rapid charging points. The focus will be on locations on and near our strategic road network, with a particular emphasis on North-South and East-West journeys.

The Two Year Budget Agreement with Plaid Cymru also provided increased funding for north to south improvements and congestion pinch point schemes of £15m in 2019-20 for the A487 and the A470 which will also contribute in reducing carbon emissions.

We are continually looking at ways to decarbonise our activities – varying from a wholesale shift to LED road lighting through to ensuring vehicles used for our activities are the most environmentally friendly available that can deliver the required function. Future developments will involve scoping and testing with key stakeholders, including local authorities to support the National Development Framework.

Investment in National Transport Infrastructure will be progressed and will seek to address congestion and improve vehicle emissions, as well as take into account opportunities for electric vehicle and other technologies. We also require our Contractors to adopt innovative and best practice construction methods to demonstrate how they will contribute to construction carbon.

We are nearing the end of the decision making process in relation to the M4 and must finally decide whether, in collaboration with the South Wales Metro, this major project is justified to deliver the right, long term, solution to the problems associated with this gateway to Wales taking into account all considerations including carbon.

A Public Inquiry has allowed everyone to have their say. The proposals, and all suggested alternatives, have been open and robustly scrutinised by independent inspectors over the space of a year and their report is currently being considered. Traditional capital funding is earmarked in central reserves for the M4 pending the outcome of the public inquiry (£173.41m in 2019-20 and £215.319m in 2020-21).

It is vitally important that carbon is invested carefully and wisely. On my instruction, the M4 Project was the subject of the most comprehensive carbon assessment ever carried out on an infrastructure project in Wales. The positive environmental statistics include:

- 30,000 homes would benefit from less air pollution
- Less than 2% of the Gwent Levels SSSIs are needed
- 110 Hectares of new woodland planted, more than double that taken by the Scheme.
- More than ½ of the route is brownfield land
- 2.8km shorter route, reducing carbon emissions

A [Sustainable Development Report](#) has been published, which describes how the proposed Scheme aligns to the goals of the Wellbeing of Future Generations (Wales) 2015 Act and fits in with our sustainable development principles.

Should it go ahead, we would work closely with stakeholders to help ensure it is delivered to maximise the long-term economic, social, cultural and environmental benefits across the whole of Wales, for its current and future generations.

4.0 COMMITTEE RECOMMENDATIONS – UPDATE REPORT FEBRUARY 2018

Further to my written response to the report's recommendations I have provided updates as follows:

4.1 Alignment of economy and transport policies with other Welsh Government policies and legislation

Recommendation 1

Embedding the principles of the Well-being of Future Generations (Wales) Act 2015 within our strategic thinking and policy development has informed, influenced and shaped the policy direction. The Economic Action Plan reflects and aligns to the well-being goals, objectives and ways of working. In particular to create a Wales that we all want to live in now and in the future, focussing interventions to equip people, businesses and places with the tools they need to shape their own futures. The vision underpins all seven well-being goals and is essential to the realisation of a prosperous Wales; a resilient Wales; a healthier Wales; and a more equal Wales.

The Plan directly supports delivery of seven of the twelve well-being objectives, whilst contributing to the remaining five:

- Support people and businesses to drive prosperity.
- Tackle regional inequality and promote fair work.

- Drive sustainable growth and combat climate change.
- Build ambition and encourage learning for life.
- Equip everyone with the right skills for a changing world.
- Deliver modern and connected infrastructure.
- Promote and protect Wales' place in the world.

The development of key policy changes, such as the Economic Contract and Calls to Action, secures wider impacts and the principles in the Act.

The Plan demonstrates the five ways of working with a long term approach to address productivity and spatial variations. It recognises the need for inclusive growth with the integration and collaborative approach with all stakeholders to support economy and transport initiatives. The new Wales Transport Strategy for publication in May 2020 will also be informed by significant engagement and consultation and align to the legislation.

Future impacts will be assessed routinely in decision to assess the Well-being of Future Generations Act.

Recommendation 2

Training sessions continue to support officials both in my portfolio and the wider Welsh Government to raise awareness of the aims and requirements for the Well Being and Future Generations Act. The development of initiatives for economic development and transport involves engagement with key stakeholders and delivery partners in the public, private and third sectors. Therefore the five ways of working is embedded in the delivery.

Recommendation 3

I remained committed to delivering the Natural Resources Policy commitments which are considered in the key strategies supporting *Prosperity for All* within my portfolio. Further to the update in May there are a number of important developments which support the policy. Firstly, The National Infrastructure Commission for Wales will meet for the first time in November 2018. The commissioners have been appointed for three year appointments and will be developing the Commission's long term investment priorities by providing us with independent and expert advice.

The Green Corridor Guidance has also been approved and a programme of initiatives is being planned and will target the Wales way corridors.

We are currently consulting on our Air Quality Plan and have introduced measures to reduce pollution levels on sections of the network that exceeded the safe threshold. In addition the updated Wales Transport Strategy planned for May 2020 publication date, includes policies that outline action on our

transport network that enhances the resilience of our ecosystems and reverses the decline of biodiversity.

4.2 Climate Change

Recommendation 4

I am providing a detailed update on the process to assess highway improvement schemes to confirm that the carbon assessment and performance evaluation is integral to the process.

The Pinch Point and Overtaking Opportunity Studies are a series of projects aimed at tackling road-based congestion and improving the reliability of the Welsh Government's Trunk Roads and Motorways. Studies are appraised in accordance with the Welsh Transportation Appraisal Guidance (WelTAG) which throughout the appraisal process ensures that developed solutions deliver legislation requirements together with national, regional and local policies.

Scheme impacts are considered throughout the WelTAG process. An Impacts Assessment Report (IAR) is produced at Stage 1 and remains a live document that builds up during the five WelTAG stages. It presents detailed evidence on the anticipated impacts of each scheme option under consideration and underpins the summaries of those impacts presented in the WelTAG stage document.

Stages 1 to 2 (Strategic/Business Case) of the WelTAG appraisal process ensures that all environmental issues and constraints are fully known for the purpose of developing scheme objectives. This is achieved by sourcing available data from partners and continual engagement with appropriate stakeholder throughout the WelTAG process.

In terms of application on studies undertaken to date, existing air quality conditions in the vicinity of the proposed study area are identified at Stages 1 and 2, this is achieved by sourcing data through local air quality management and reporting, Department for Environment, Food and Rural Affairs. Local Authority officers are also approached for local air quality baseline and monitoring data.

The wider impacts are considered during the appraisal process. A good example of this is the traffic modelling undertaken to fully understand transportation behaviour. Depending on the type of solution, modelling is able to project traffic flows following intervention and the impacts the solution has on modal shift. Results of such analysis are captured within the live impacts assessment report.

Solutions are appraised taking into consideration existing air quality conditions. Solutions offering reduced impacts are promoted. Greater

consideration is given at locations where air quality is close to, or currently at, unacceptable levels. Impacts are recorded and managed within the IAR.

Stages 3 and 4 (Full Business and Implementation) Following the appraisal process, preferred solutions are taken forward to detailed design. At this stage schemes are designed to set National Standards. Standards prescribe a series of further impact assessments to ensure that the full impacts of the final design are fully understood. Impacts are considered during the construction phase and life of the new infrastructure. Impacts are again recorded within the live IAR.

Stage 5 (Post Implementation) entails monitoring and evaluation of the implemented solution(s) with a purpose to record and compare actual results and impacts against those anticipated. In the context of air quality, levels will be monitored for a given period post installation, either utilising existing monitoring sites or setting up new ones. The need and methodology for post monitoring is generally set before implementation and given within the IAR. If unanticipated issues arise, the Stage 5 work can be used to inform measures to mitigate unforeseen adverse impacts or to build upon unforeseen benefits.

4.3 UK Committee on Climate Change and design of Welsh carbon targets

Recommendation 5

The Cabinet Secretary for Energy, Planning and Rural Affairs issued a [Written Statement](#) on 28 June 2018 setting out the decisions with regards interim emission reduction targets and the first two carbon budgets for Wales. The decisions are consistent with advice from our statutory advisors, the UK Committee on Climate Change. The regulations are currently being drafted and will be laid in the National Assembly in December.

A consultation [Achieving our Low Carbon Pathway to 2030](#) was launched in July. The initial Ideas for Action have been developed collaboratively across Government, taking into account the recommendations from the UK Committee on Climate Change and wider evidence. The Decarbonisation Ministerial Task and Finish Group are reviewing the developments alongside wider evidence and together this will inform the Low Carbon Delivery Plan which is due to be published in March 2019. I will continue to consider how my budgets are best employed to deliver the low carbon agenda.

4.4 The EU Emissions Trading System (EU ETS)

Recommendation 6

We are currently awaiting information from Department for Business, Energy and Industrial Strategy in relation to the EU ETS and further information will be provided to the Committee in due course.

4.5 Transport Policy

Recommendation 7

Our refreshed Wales Transport Strategy, due to be published in May 2020, will be developing policies that will positively impact on travel behaviour and reduce the negative impact traffic has on our communities and quality of life. The Strategy supports the legislative requirements: the Environment (Wales) Act 2016 and the Well Being and Future Generations Act 2015. It will also deliver our national strategy *Prosperity for All*. This is set out in **Section 2.3 Transport Strategy**.

4.6 The environmental impact of the M4 relief road

Recommendation 8

The current update for the M4 environmental considerations is detailed in **Section 3.2 Capital**. The approach endorsed by the WelTAG 2017 which requires the positive and negative assessment of impacts and mitigations. Further information will be provided to the Committee when the decision making process is concluded.

4.7 Sustainable transport and support for low carbon vehicles

Recommendation 9

We continue to work closely with the Future Generations Commissioner to ensure the application of the WelTAG 2017 delivers on the goals and ways of working as set out in the Well-being of Future Generations Act. A review of projects that have used the new toolkit is ongoing and if improvements can be made to the way WelTAG 2017 is applied, further supplementary guidance notes will be published.

Recommendation 10

I updated all Assembly Members in relation to the £2 million EV infrastructure project via my Written Statement of 11 October 2018 and committed to provide a further update next spring when we plan to go out to procurement.

4.8 Air Quality

Recommendation 11

My officials are working closely with Public Health Wales to review the evidence available on the benefits of introducing 20mph speed limits, drawing on the experience from local authorities who have implemented 20mph zones and any improvements in air quality that have resulted from reduced emissions. This work will then inform the next steps we will take regarding 20mph speed limits and linked interventions in support of the Clean Air Programme for Wales.

Recommendation 12

The Welsh Government has a legal duty to ensure compliance with the European Ambient Air Quality Directive. The Directive and the Air Quality Standards (Wales) Regulations 2010 (“the Welsh Regulations”) provide for an hourly and an annual limit value for NO₂ of 40 micrograms per cubic metre.

Welsh Ministers are directly responsible for the motorway and trunk road network in Wales and through the Pollution Climate Mapping (PCM) model issued by DEFRA, 5 locations were identified where modelled NO₂ levels exceed the Directive and Welsh Regulation limit:

1. A494 at Deeside.
2. A483 near Wrexham.
3. M4 between junctions 41 and 42 (Port Talbot).
4. M4 between junctions 25 and 26 (Newport).
5. A470 between Upper Boat and Pontypridd.

The Welsh Government commissioned the first of a number of detailed investigations including modelling using the approach set out in the Welsh Transport Appraisal Guidance (WelTAG) in October 2017. These investigations have been undertaken to establish the likely measures required to achieve compliance with the Directive and Welsh Regulations as soon as possible.

Measures identified in WelTAG Stages 1 and 2 with the potential to achieve compliance at each of the five locations were included in a draft Welsh Government Supplementary Plan (WGSP) that was subject to consultation between 25 April and 19 June. Because the WelTAG Stage 1 and 2 appraisals indicated that speed limits had the potential to deliver an immediate improvement to air quality at each of the five locations, temporary 50 mph speed limits to safeguard public health were implemented in the week commencing 18th June.

The effect of the temporary speed limits on air quality are being closely monitored by road side testing and the results have been fed into the investigations and modelling to help establish the measures likely to achieve compliance in the shortest possible time. An Interim WGSP was published on 31 July pending the completion of WelTAG Stage 3 investigations, i.e. the identification of final measures to achieve compliance with NO₂ limit.

On 21 September 2018, the Welsh Government launched a consultation in respect of the latest WelTAG Stage 3 appraisals. Officials are seeking the views of the public and other interested parties on the findings of the investigations and the consultation is open until 2 November 2018. Further details including the appraisal reports are available at the [consultation pages](#) on the Welsh Government website.

The appraisals have established that the provision of a 50 mph speed limit is the likely measure to help achieve compliance with NO2 limit values as soon as possible on the A494, A483, M4 between junctions 41 and 42 and A470. At the M4 between junctions 25 and 26, the appraisals have established that provision of an off and inter-peak 50mph speed limit set via the existing Variable Speed Limit system in combination with a variable diversion (encouraging local traffic for Newport to leave the M4 prior to Junctions 25 and 26 when periods of high concentrations of NO2 are likely) is the likely measure to help achieve compliance with NO2 limit values.

Once the consultation has concluded, officials will review the findings and report to Ministers on the most appropriate course of action. This work will feed into the final Supplementary Plan, which will be published on 30 November 2018.

Recommendation 13

The refresh of the Wales Transport Strategy is ongoing with a planned May 2020 publication date. The new Strategy will include policies that deliver our decarbonisation targets and improve air quality. We are working closely with Public Health Wales to review the evidence available on the benefits of introducing 20mph speed limits, drawing on the experience from local authorities who have implemented 20mph zones and any improvements in air quality that have resulted from reduced emissions. This work will then inform the next steps we will take regarding 20mph speed limits and linked interventions. It will also help to inform our Wales Transport Strategy policies on road safety.

4.9 Support for business

Recommendation 14

We are currently undertaking a progress and lesson learned stock-take of the Economic Action Plan's new operating model (Economic Contract, Calls to Action and Economy Futures Fund). This includes revised internal guidance for operationalising the new operating model. I will update Assembly Members on the outcome of the stock-take once it is completed. I expect this to happen before the end of the year.

Measures to progress the aim that all taxis and buses in Wales will have a zero carbon footprint within 10 years, included in the Economic Action Plan, are being considered in the development of the Low Carbon Delivery Plan.

Document is Restricted

The Rt Hon, the Lord Deben
c/o Committee on Climate Change
7 Holbein Place
London
SW1W 8NR

12 November 2018

Dear The Rt Hon, the Lord Deben

The Climate Change (Wales) Regulations 2018

On 5 November, the Welsh Government laid five sets of Regulations in the Assembly, described collectively as The Climate Change (Wales) Regulations 2018 ('the Regulations'). On 8 November, the Assembly's Climate Change, Environment and Rural Affairs Committee agreed to undertake detailed scrutiny of the Regulations and notified the Welsh Government accordingly.

In accordance with the Environment (Wales) Act 2016 (the Act) ('the Act'), when making the Regulations the Welsh Ministers must have regard to advice provided by the UK CCC. On this basis, the Committee has agreed that I should write to you to request further information in relation to the Regulations and ahead of your attendance at our 22 November meeting

Emissions reduction to 2050

The Welsh Government is aiming for a reduction in emissions of 80% against the baseline by 2050. According to your estimate, this will not be sufficient to meet the aims of the Paris Agreement.

In your advice, you note that the Act requires that net emissions for 2050 are at least 80% lower than the baseline and this would not preclude Wales from going beyond an 80% reduction. In reference to the Welsh Government's target, you conclude that "It will be important to ensure that actions taken in the nearer term keep open the possibility of reductions beyond 80% by 2050".



Question 1 – Do you believe it is appropriate to reconsider the 2050 target, in the light of the conclusions of the recent IPCC Special Report on Global Warming? What is the long-term viability of the 2050 target?

Question 2 - What is your assessment of the impact of any such changes on the WG's ability to meet the interim targets for 2020, 2030 and 2040?

Question 3 – Given that the scientific data is shifting so quickly, do you believe it is appropriate that the WG should, before each carbon budget is set, reconsider the 2050 target, based on advice from the UK CCC?

Interim targets

Interim targets for 2020, 2030 and 2040 are set out in **The Climate Change (Interim Emissions Targets) (Wales) Regulations 2018**. In your advice to the Welsh Government, you referred to the “particular challenge” of the 2020 interim target, saying that:

“The scope for new policies to affect the level of admissions in 2020 is very limited, especially if the Welsh Government waits until after the target is legislated to bring forward policies to achieve it”.

Question 4 - Welsh emissions in 2015 were 19% below 1990 levels. Based on the UK CCC's “business as usual projections”, what will the estimated level of emissions be in 2020, expressed as a percentage reduction below 1990 levels?

Question 5 – Your suggested pathway constitutes a smooth trajectory towards the 2050 target. What are the risks of this approach in comparison to, for example, a steeper initial trajectory, constituting a “front-loading” of emissions reductions?

Carbon budgets

The Climate Change (Carbon Budgets) (Wales) Regulations 2018 describe a carbon budget as “setting a maximum limit on the total amount of Welsh emissions permitted over a 5-year budget period”. The first budget period runs from 2016 to 2020, with subsequent budgets covering successive 5-year periods to 2050.



Section 41 of the Act provides that the Welsh Ministers must lay a statement before the Assembly explaining whether the carbon budget has been met. The statement must be laid “before the end of the second year after the period it relates.”

For the first carbon budget (2016-2020), the statement must be laid before the end of 2022. For the second carbon budget (2020-2025), the statement must be laid before the end of 2027.

These timelines give rise to serious challenges for the effective scrutiny of future carbon budgets. For example, in accordance with Section 31 of the Act, the third carbon budget, for 2025-2030, must be set by the end of 2020. In effect, this means the Assembly will be asked to agree the third carbon budget two years before the outturn from the first carbon budget is known and seven years before the outturn of the second carbon budget is known.

Question 6 - Before it is asked to agree the third carbon budget in 2020, the Assembly will not know whether the first two carbon budgets have been met, due to the reporting requirements of the Environment (Wales) Act. Do you have any views on the timescales set out in the Act?

International aviation and shipping

Section 35 of the Act provides that the Welsh Ministers may by regulations make provisions for emissions of a greenhouse gas from international aviation and shipping to count as Welsh emissions. Emissions from international aviation and shipping were not included in previous policy targets.

Arrangements relating to international aviation and shipping are set out in **The Climate Change (International Aviation and International Shipping) (Wales) Regulations 2018**.

Question 7: What are the risks and benefits of the Welsh Government’s decision to include international aviation and shipping in Welsh emissions targets?



Net Welsh emissions account

The Climate Change (Net Welsh Emissions Account Credit Limit) (Wales) Regulations 2018 set a limit of 10% on the total amount that the net Welsh emissions account can be reduced through the use of carbon units.

You advised the Welsh Government that the first carbon budget should be met through existing policies “and should not require the planned use of offsets”. However, you accepted that a degree of flexibility would be required to address unforeseen circumstances. You advised that the use of credits should require prior advice from the UK CCC.

Question 8: Given that you have said that unplanned use of emissions credits should be small, what is your view of the appropriateness of the 10% limit proposed by Welsh Government?

Question 9: What are your reasons for suggesting that the use of credits should require prior advice from the UK CCC?

Carbon accounting and carbon units

The Carbon Accounting (Wales) Regulations 2018 allow for the inclusion of emissions produced by the traded sector, i.e. the European Union Emissions Trading Scheme (EU-ETS) sector, in the net Welsh emissions account. This will mean that all Welsh emissions are counted. The Welsh Government believes this is a transparent and clear approach to accounting.

The UK CCC has advised that emissions from the EU-ETS sector should be included in the net Welsh emissions account. The Regulatory Impact Assessment explains that –

“The CCC recognises industrial emissions present a specific challenge within the devolved setting where large changes in emissions can occur as a result of business decisions at individual sites, over which Wales has little control.”

Question 10: What are the risks for the first and second carbon budgets if emitters cannot continue to trade under the EU-ETS?

I regret that the timetable for responding to the Committee’s requests for information is tight. The Assembly is due to consider the Regulations in a Plenary



meeting on 4 December. It will be necessary for the Committee to prepare and publish its report on the Regulations in advance of that debate. I would be grateful, therefore, if you could provide your response by 22 November at the latest.

The Committee has also asked the UK CCC to provide a separate oral briefing to the Committee on the Welsh Government's consultation on its Decarbonisation Pathway to 2030, which is scheduled to take place on 22 November. I am grateful for the UK CCC's cooperation on the scrutiny of the Regulations and the Pathway.

Yours sincerely,

A handwritten signature in black ink that reads "Mike Hedges". The signature is written in a cursive, flowing style.

Mike Hedges AM

Chair of Climate Change, Environment and Rural Affairs Committee

cc Chris Stark, Chief Executive, Committee on Climate Change



Lesley Griffiths AM
Cabinet Secretary for Energy, Planning and Rural Affairs

13 November 2018

Dear Lesley

The Climate Change (Wales) Regulations 2018

On 5 November, the Welsh Government laid five sets of Regulations in the Assembly, described collectively as The Climate Change (Wales) Regulations 2018. On 8 November, the Climate Change, Environment and Rural Affairs Committee agreed to undertake detailed scrutiny of the five sets of Regulations and notified the Welsh Government accordingly.

The Committee has agreed that I should write to you to seek further information to inform our scrutiny of the Regulations.

Emissions reduction to 2050

In its advice to the Welsh Government, the UK CCC notes that the Act requires that net emissions for 2050 are at least 80% lower than the baseline and this would not preclude Wales from going beyond an 80% reduction. In reference to the Welsh Government's target, the UK CCC concludes that "It will be important to ensure that actions taken in the nearer term keep open the possibility of reductions beyond 80% by 2050".

According to the UK CCC's estimate, a reduction below 83% will not be sufficient to meet the aims of the Paris Agreement.



Question 1: What will be the effect if the Assembly does not agree the Climate Change (Wales) Regulations 2018 in Plenary?

Question 2: Can you confirm the levels of reductions that will be delivered by each of the four options contained in your Regulatory Impact Assessment, expressed as a percentage reduction below the baseline?

Question 3: Are you content that your proposed approach strikes the right balance between achievability and ambition, given that it will not meet the aims of the Paris Agreement, according to the advice of the UK CCC?

Question 4: Will you give a commitment to reconsider the 2050 target before setting future carbon budgets; that you will do so based on the advice of the UK CCC; and report back to the Assembly on your decision?

Interim targets

Interim targets for 2020, 2030 and 2040 are set out in **The Climate Change (Interim Emissions Targets) (Wales) Regulations 2018**. In the UK CCC's advice to the Welsh Government, it said:

"The scope for new policies to affect the level of admissions in 2020 is very limited, especially if the Welsh Government waits until after the target is legislated to bring forward policies to achieve it".

Question 5: What are your current projections for the level of emissions levels in 2020?

Question 6: What is your understanding of the timetable for the closure of Aberthaw power station, which will have a significant impact on your ability to meet the 2030 interim target?

Carbon budgets

The Climate Change (Carbon Budgets) (Wales) Regulations 2018 describes a carbon budget as "setting a maximum limit on the total amount of Welsh emissions permitted over a 5-year budget period". The first budget period runs from 2016 to 2020, with subsequent budgets covering successive 5-year periods to 2050.



Section 41 of the Act provides that the Welsh Ministers must lay a statement before the Assembly explaining whether the carbon budget has been met. The statement must be laid “before the end of the second year after the period it relates.”

Question 7: The difference between the estimated costs for the first two carbon budget periods is £12bn, which is made up almost entirely of costs incurred in the “Power” sector. This constitutes an increase in costs equivalent to £2.4bn a year over the budget period. Can you provide more details on your estimates for this cost?

Question 8: The estimated costs for the first Carbon Budget (2016-2020) are an additional £2 billion above the baseline (i.e. a “do nothing more” option, with no additional policy interventions). Can you explain how you expect additional costs of £2 billion to arise during the last two years of the budget period (i.e. 2018-2020)?

Question 9: Save for the increase in costs relating to the Power sector (£12bn), you expect minimal changes in costs relating to all other sectors between the first and second budget periods. Can you explain the rationale for this?

International aviation and shipping

Section 35 of the Act provides that the Welsh Ministers may by regulations make provisions for emissions of a greenhouse gas from international aviation and shipping to count as Welsh emissions. Emissions from international aviation and shipping were not included in previous policy targets.

Arrangements relating to international aviation and shipping are set out in The Climate Change (International Aviation and International Shipping) (Wales) Regulations 2018.

Question 10: What are the risks and benefits of the Welsh Government’s decision to include international aviation and shipping in the Regulations?



Net Welsh emissions accounts

The Climate Change (Net Welsh Emissions Account Credit Limit) (Wales) Regulations 2018 set a limit of 10% on the total amount that the net Welsh emissions account can be reduced through the use of carbon units.

The UK CCC advised the Welsh Government that the first carbon budget should be met through existing policies “and should not require the planned use of offsets”. However, the UK CCC accepted that a degree of flexibility would be required to address unforeseen circumstances. The UK CCC advised that the use of credits should require prior advice from it.

Question 11: Given that there are two years remaining of the first carbon budget period, what are your current projections of the amount of carbon units you will need to use to meet the first carbon budget, expressed as a percentage of the first carbon budget?

Question 12: What are the risks arising from the variability of the price of offset credits? How can those risks be mitigated?

Carbon accounting and carbon units

The Carbon Accounting (Wales) Regulations 2018 allow for the inclusion of emissions produced by the traded sector, i.e. the European Union Emissions Trading Scheme (EU-ETS) sector, in the net Welsh emissions account. This will mean that all Welsh emissions are counted. The Welsh Government believes this is a transparent and clear approach to accounting.

The UK CCC has advised that emissions from the EU-ETS sector should be included in the net Welsh emissions account. The RIA explains that –

“The CCC recognises industrial emissions present a specific challenge within the devolved setting where large changes in emissions can occur as a result of business decisions at individual sites, over which Wales has little control.”



Question 13: What are the risks for the first and second budgets if emitters cannot continue to trade under the EU-ETS?

I regret that the Assembly's Standing Orders provide only a limited time within which the Committee can scrutinise these Regulations. I would be grateful, therefore, if you could provide your response no later than 21 November.

Yours sincerely,

A handwritten signature in black ink that reads "Mike Hedges". The signature is written in a cursive, flowing style.

Mike Hedges AM

Chair of Climate Change, Environment and Rural Affairs Committee

