

National Assembly for Wales
Enterprise and Business Committee

The Potential of the Maritime Economy in Wales

February 2016

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Enterprise and Business Committee

The Committee was established on 22 June 2011 with a remit to examine legislation and hold the Welsh Government to account by scrutinising its expenditure, administration and policy, encompassing economic development; transport and infrastructure; employment; higher education and skills; and research and development, including technology and science.

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Welsh Conservatives
South Wales East



Mick Antoniw
Welsh Labour
Pontypridd



Mohammad Asghar
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Foreword

The Committee's inquiry into the potential of the Maritime Economy has been a long journey.

In our work, we have heard from key decision makers in Belgium, Luxembourg and Ireland, as well as taking evidence in Bangor, Swansea and Cardiff. We have looked at the vital role of ports, the importance of effective transport links, and the potential of energy generation.

We have met experts in all these fields, and have come to one overwhelming conclusion: there is huge potential for Wales to grow its Maritime Economy and to be a powerful driver for 'Blue Growth' in our part of the World.

The water that surrounds Wales on three sides is a natural resource that could be as valuable for Wales future, as the coal beneath our valleys was in centuries past. But harnessing that potential will not happen by accident. It will need strategic thinking and leadership from the Welsh Government, and coordinated action across departments to deliver the vision.

While this report sets out more than 20 recommendations, there is one essential action which must be taken: The Welsh Government must ensure that the Wales Marine Plan provides a comprehensive and overarching framework for the sustainable development of Wales' marine resources and coastal communities.

Without that vision, leadership and coordination, Wales will miss out. In Ireland we saw what is possible when government departments work together with a single vision, a clear sense of direction and stretching targets – we want to see the same drive and ambitions on this side of the Irish Sea.

William Graham AM
Chair, Enterprise and Business Committee

The Committee's Recommendations

Main recommendation:

The Welsh Government should ensure that the Wales Marine Plan provides a comprehensive and overarching framework for the sustainable development of Wales' marine resources and coastal communities. It should contain objectives and measurable targets – including for economic performance – and be implemented through a 'whole government' approach, modelled on the Irish Integrated Marine Plan.

The Committee recommends that the Welsh Government should:

Recommendation 1. Prioritise participation in EU networks, projects and partnerships in the marine energy sector, taking a proactive and outward-looking approach to engagement with EU level initiatives. (Page 32)

Recommendation 2. Ensure the EU Funding Ambassadors are integrated into the work of the new Marine Energy Task and Finish Group to ensure opportunities for EU funding and finance are fed into the work of this group. (Page 32)

Recommendation 3. Explore the potential for developing an Atlantic Macro Region or Strategic Partnership, in discussions with Ireland, Scotland, the UK Government, the European Commission, and through its membership of the Committee of the Regions and the Conference for Peripheral and Maritime Regions (CPMR). (Page 32)

Recommendation 4. Demand early decisions from the UK Government to ensure that there is clarity on the strike prices for different renewable marine energy technologies as soon as possible. (Page 32)

Recommendation 5. Provide greater financial support for marine data collection projects including the potential impacts of developments on the marine environment. This should include thinking creatively and proactively about how different EU funding streams can support this. (Page 32)

Recommendation 6. Review Enterprise Zone policy in the light of planned devolution of ports policy. In particular the review should consider whether the sector approach is appropriate to those zones which include ports, given the scope of the opportunities within the maritime economy. This review should also consider whether further Enterprise Zones are required to support port development. (Page 50)

Recommendation 7. Develop appropriate and effective road projects to improve traffic flow on the A55 and A40 given the risks to ports from marginal changes in efficiency. (Page 50)

Recommendation 8. Work with relevant ports and other local stakeholders as well as Network Rail and the Department for Transport to consider how rail modernisation schemes in Wales can make possible potential future development of rail freight serving Welsh ports. (Page 50)

Recommendation 9. Act decisively in the event of devolution of port planning powers to streamline and speed up the port planning process, and to integrate it with an effective and suitably resourced marine licensing and consenting process to provide early decisions on development applications. Enhancements to major devolved Welsh ports should be considered for inclusion as Developments of National Significance under the Planning (Wales) Act 2015. (Page 50)

Recommendation 10. Engage with Welsh ports and the Welsh Ports Group to clarify the scope of a future Welsh Ports strategy and how this will be developed to provide reassurance to the sector. (Page 50)

Recommendation 11. Develop a Welsh Ports Policy which:

- Provides a clear vision for Welsh ports and strategic leadership which supports ports to achieve their goals;
- Clearly identifies where additional support is required, for example in identifying and delivering infrastructure or services which have wider economic benefit but generate a limited direct return to ports themselves;
- Aligns with EU blue growth and transport policies to facilitate engagement with the EU and support applications for EU funding;
- Encourages development and implementation of port master plans which reflect the wider role of ports in maritime economy, and the local economy in general;
- Includes an assessment of the competitiveness of Welsh ports; and
- Integrates ports into key Welsh policies particularly on the development of the maritime economy, transport policy, environment and planning policy and wider policies supporting economic growth. (Page 51)

Recommendation 12. Prioritise increased investment in marine research capacity, including discussions with the EU Funding Ambassadors in conjunction with Welsh HE on how EU and other funding could be used to support this. This should include exploring potential for developing a COFUND bid covering marine research. (Page 55)

Recommendation 13. Ask EU Funding Ambassadors to look at opportunities from EU funding programmes to support this agenda, including (not exclusively) Erasmus+, Horizon 2020, ESF, and the Territorial Co-operation Programmes. (Page 55)

Recommendation 14. Review the support for marine energy and wider maritime economy in Welsh Government's Brussels office and explore how this could be strengthened through a partnership between its own team, Welsh HE and WLGA offices. (Page 55)

Recommendation 15. Carry out a mapping exercise looking at the future skills and training needs of the maritime economy and a review of the existing training provision within Higher and Further Education in Wales to support these future needs. This should take into account existing work undertaken looking at the skills needs of the marine energy sector. (Page 55)

Recommendation 16. Provide an update to the Assembly on progress in the list of potential projects identified for support from EFSI. (Page 63)

Recommendation 17. Engage much more proactively with EU institutions and other relevant stakeholders to build the relationships necessary to benefit from CEF and other potential sources of EU funding for transport. This should include Ministerial participation in stakeholder events such as TEN-T Days. (Page 63)

Recommendation 18. Engage as a matter of urgency with the UK Government, Irish Government, Irish ports, Welsh ports, relevant Welsh stakeholders and the EU Commission to develop proposals for EU Transport Funding, particularly Motorways of the Sea projects. In particular, we believe Welsh Government should convene a conference to allow stakeholders, particularly Welsh ports, to understand the EU funding opportunities and consider a way forward. (Page 63)

Recommendation 19. Provide ports with the support they need to access EU and other funding sources. The Welsh Government may need to review whether its staff have the correct skills and training to do this. (Page 63)

Recommendation 20. Task the WFO Horizon 2020 unit with addressing the call from SMEs for specialist one-to-one advice and support in accessing opportunities from EU funding programmes. (Page 63)

1. Introduction to the inquiry

Focus and terms of reference

1. This inquiry looked at the economic potential of the maritime economy in Wales, by focusing on the opportunities from marine (also referred to as ‘ocean’) energy, the role of ports as hubs, key transport links to Ireland, and the strategic approach of the Welsh Government to marine and maritime affairs.
2. Given Environment and Sustainability Committee’s responsibility for environment and energy policy, in our consideration of the marine renewable energy sector we have focused on the economic potential and requirements of this emerging industry. Where comments have arisen around marine environment and planning/consent issues we refer back to some of the work of this Committee in these areas.
3. The terms of reference for the inquiry are set out in Annex A.

Rationale for the inquiry

4. The announcements of plans for six tidal lagoons in the UK, four of which would be in Wales, including Tidal Lagoon Swansea Bay, generated keen interest and excitement in Wales about the potential of marine energy.
5. The redundancies at the Murco oil refinery in Pembrokeshire announced in November 2014 provided a reminder of the vulnerability of coastal communities to economic change and underlined the importance of investing in new technologies and sectors, such as the marine energy sector.
6. The planned devolution of ports policy to Wales, included in the 2015 St David’s Day announcement, and since confirmed through the publication of the draft Wales Bill was also of interest. The EU’s Blue Growth Strategy¹ identifies ports as key hubs for the maritime economy, and we wanted to look at how Welsh ports can diversify their activities to benefit their local communities and the wider economy.

¹ http://ec.europa.eu/maritimeaffairs/policy/blue_growth/

7. We were also interested to explore further the potential opportunities to Wales from the Investment Plan for Europe, launched by the European Commission in November 2014, which is seeking to generate around €315bn worth of infrastructure investments across the EU over the next 3-4 years. The Welsh Government has submitted a list of potential projects for support under this initiative, including Energy Island Anglesey, Tidal Lagoon Swansea Bay, and transport infrastructure developments along the north and south Wales corridors.

8. This inquiry provided a chance to look at the progress the Welsh Government has made on a number of this Committee's recommendations around transport and connectivity, particularly with the links to Ireland.

9. Finally, we were aware of the priority being given to the maritime economy in Ireland, as set out in the Irish Government's Integrated Marine Plan "Harnessing our Ocean Wealth" published in 2012. Given the proximity of Ireland, the shared sea and maritime transport links, we were keen to look at what Wales can learn from this strategic approach, particularly in the context of the preparation of the Welsh Government's own Marine Plan - which is due to be published in late 2016/early 2017. We also wanted to discuss with Irish Ministers the opportunities for partnership working.

Evidence gathering

10. We received 23 written responses to our call for written evidence, which closed at the end of September 2015. We took oral evidence including external formal evidence sessions in Bangor and Swansea and informal visits to Brussels and the European Investment Bank (EIB) in Luxembourg. We visited Dublin on 1 October and met with Irish Ministers, the Marine Institute Ireland, Dublin Port Company and a number of other organisations working in the maritime and marine energy sectors in Ireland.

11. We would like to thank everyone for their contributions to this inquiry. We would like to give a special mention to the Irish Government and Marine Institute for the excellent programme in our Dublin visit, to the EIB officials who organised our visit to Luxembourg, and to the National Maritime Museum Swansea and Bangor Universities for hosting our external evidence sessions.

2. Executive Summary

Economic potential of the maritime economy

12. The maritime economy offers real potential for Wales, particularly within new and emerging sectors like marine renewable energy. The European Commission has given increased attention in recent years to this part of the economy, through its Blue Growth Strategy, seeking to promote the transition of ports and coastal communities into these new areas of growth and diversify the economic opportunities in coastal communities.

13. Wales is engaging in this shift, and we saw in our inquiry some of the exciting initiatives and projects in development, which could have significant impact on the Welsh economy, including knock-on benefits to leisure, cultural and other sectors.

Ports

14. Welsh ports make an important contribution to the Welsh economy and are key hubs for the maritime industries in Wales. The major ports are increasingly looking to diversify into new economic activities, like renewable energy and coastal tourism. This is not only to be welcomed but is crucial to Wales' future success in developing maritime industries.

15. The Draft Wales Bill includes proposals to devolve key aspects of port policy, including the planning regime, to Wales. If enacted, this will allow the Welsh Government to integrate port development into its wider strategies and also to streamline the planning and licensing process. We heard how the Welsh Government is preparing to develop a ports strategy and a memorandum of understanding with Welsh Ports.

16. There is scope for the Welsh Government to support development of ports through its new strategy, and also to work to improve the transport links to ports which are a key factor in their competitiveness.

Welsh Government's role

17. During this inquiry we saw examples of the Welsh Government supporting the development of the maritime economy.

18. The earmarking of €100m of EU Structural Funds for marine energy is significant and to be applauded. The creation of the Marine Energy Task and Finish Group was widely welcomed by witnesses, and the participation of the key players from this emerging sector bodes well.

19. However, we also saw evidence of Welsh Government failure to follow up sufficiently on previous recommendations of this Committee within the area of EU funding for transport and connectivity.

20. We were disappointed at the lack of follow up on TEN-T/Connecting Europe Facility (CEF), on opportunities for Motorways of the Sea, and the general lack of engagement. We were surprised and disappointed to hear that there had been little contact with the Irish Government and Dublin Port.

21. Our impression of the Welsh Government's approach to the maritime economy is one of fragmentation, with no evidence of a whole government approach. While the Welsh Government's engagement has been viewed as positive, notably in the marine energy sector, there was a consensus that an overarching strategic framework is now needed.

An Irish-inspired strategic approach

22. Our visit to Ireland provided an opportunity to benchmark Wales against an EU Member State recognised by the European Commission as leading the development of the ocean economy in Europe.

23. One of our strong recommendations is that the Welsh Government look at Ireland's Harnessing Our Ocean Wealth document in preparing its National Marine Plan. Wales' plan should be modelled on Ireland's whole-government approach to the implementation of the plan, and focused on delivering clear objectives with measurable targets for individual departments to deliver.

Marine renewable energy

24. Wales is well placed to become a leader in the development of the marine renewable energy sector. We saw clear evidence of entrepreneurial activity in Wales to support this new sector. Mostyn Port has become an important hub for the renewable sector, and Milford Haven is moving in this direction as well. Tidal Lagoon Swansea Bay, the other potential lagoons in Wales, the tidal wave projects in Pembrokeshire, and the plans for Energy Island Anglesey are further examples.

25. We heard strong commitments for these projects to invest in local companies and local employment. We also heard that this is a sector in its infancy, and as such it faces a number of barriers and challenges before it reaches maturity. Rhodri Glyn Thomas AM told us there is a consensus on what these barriers are at EU level, and this chimed with the evidence we heard from Welsh stakeholders.

26. We heard about the need for data to inform development plans and consenting/licensing, and the challenges around this (cost, commercial sensitivity, issues around reliability, and need for scientific analysis/interpretation of raw data) which echoes issues raised in Environment and Sustainability Committee's work on marine policy in Wales.

27. Welsh Government can address some of these barriers, through targeting more resource at data collection/analysis, investing in greater research capacity, providing additional financial resources, and on a more pragmatic level by employing a test and deploy approach to pilot projects where appropriate.

28. We saw clear recognition that Wales cannot solve the barriers facing the marine energy sector alone – it requires engagement and co-operation at UK and EU level and in partnership with other countries and regions.

29. We received evidence of concerns from anglers in Swansea about the possible negative impacts of Tidal Lagoon Swansea Bay on the natural environment and from Wales Environment Link about the need to adopt an ecosystems approach that balances economic, social and environmental objectives. While our inquiry has focused on economic impacts, we recognise the importance of the development of an ecosystems based approach to marine planning.

EU and international engagement

30. We heard evidence of the importance of strategic partnerships between regions and countries to address common problems. Welsh universities already have links with Ireland on research projects in the marine sector, while Tidal Lagoon Power and Marine Energy Pembrokeshire are participating in EU level initiatives such as the Ocean Energy Forum and Ocean Energy Europe.

31. We were disappointed to hear about the lack of engagement by the Welsh Government in these EU level initiatives in the marine energy sector. This combined with what appears to be a failure to follow up effectively with Ireland on transport and connectivity opportunities suggests there is a lack of political leadership when it comes to the Welsh Government's approach to EU partnership working.

32. There are exceptions, notably the work of the Minister for Finance and Government Business on EU Structural Funds, her championing of the work of the EU Funding Ambassadors, and her contacts with the EIB. These are examples of a Welsh Government Minister acting positively and proactively at EU level. However, this is not replicated across the Welsh Government and the lack of participation in marine energy sector events and networks at UK and EU level was disappointing, particularly given Wales' strengths in this area.

33. In his work for the European Committee of the Regions (CoR) Rhodri Glyn Thomas AM has proposed a much stronger form of co-operation - creation of a strategic partnership or Macro Region for the Atlantic Area focused on developing the ocean energy sector. We think there is merit in pursuing this idea.

EU funding

34. Our previous inquiries have shown a wide range of EU funds are relevant to the development of the maritime economy in Wales.

35. The EIB told us that the new European Fund for Strategic Investment (EFSI), part of the Investment Plan for Europe offers opportunities to support the growth of the maritime sector. EIB investment in the new innovation campus at Swansea University has received overwhelming praise and is a flagship example. We were pleased to see that the Welsh Government is pursuing these opportunities.

36. However, evidence from some ports suggested they still misunderstand some EU funding opportunities, while others called for additional support to access funds. We heard from the private sector of the need for targeted support and information on the relevant EU programmes. We have already made recommendations in our previous EU funding inquiries for the Welsh Government and Welsh HE to develop tailored support for the private sector. Clearly this is not yet happening – so we restate our call for this to be addressed.

37. We also believe there is a role for EU funding in supporting data gathering and analysis.

Research and skills agenda

38. Welsh universities have some excellent, cutting-edge research in progress within the marine sector, clearly evidenced in the SEACAMS project and the work of the Low Carbon Research Institute, which includes the Marine Research Centre at Swansea University.

39. However, we were also told that despite the excellent research in Wales in this area, it is very much a ‘niche’ within the energy sector more broadly. There is a risk Wales could lose out on future research opportunities due to lack of research capacity/infrastructure for marine energy compared to Scotland and Ireland.

40. We believe there is a clear need for greater investment in research capacity in the marine energy sector.

41. Work is already underway to plan for future skills needs of the marine sector, and the Marine Energy Task and Finish Group will also look at this. We were told that to date there had not been (as far as witnesses were aware) any systematic studies or mapping of future skills needs for the maritime economy as a whole, which stands in contrast with the situation in Ireland.

42. We were told that many of the skills for these new sectors will be similar to other manufacturing and engineering jobs. Therefore, this should mean a focus on re-skilling and re-training rather than necessarily developing new skills profiles from scratch.

3. Strategic approach to the Maritime Economy

Value of the maritime economy as a whole

43. The maritime economy, increasingly described at EU level as the ‘blue economy’, refers to economic activities linked to the sea. It includes maritime transport, coastal tourism and leisure activities, fisheries and aquaculture, shipbuilding and repairs (less relevant in Wales), oil and gas extraction, and areas such as marine renewable energy, marine biotechnology, marine manufacture and engineering.

44. The European Commission estimates the value of the maritime economy at around €500 billion a year, supporting around 5.4 million jobs. It is an area where some of the more traditional sectors – fisheries, oil and gas extraction, ship building and manufacturing – have been in decline for a number of years. The Commission has identified, in its 2012 Blue Growth Strategy, huge potential for growth in new and emerging sectors, such as marine energy, aquaculture and marine biotechnology.

45. The Welsh Government’s recently published Marine Evidence Report² estimates the value of economic activity in the maritime economy in Wales at around £2.1 bn in GVA, supporting 31,000 direct and a 56,000 indirect jobs. The report notes that these figures are likely to be ‘underestimates’ due to lack of reliable data for some areas.

The economic role of Welsh ports

46. Ports have a critically important role to play as key economic hubs for the maritime industries, and related transport and energy sectors.

47. There are seven “major” ports in Wales, each handling more than 1 million tonnes of freight a year: Milford Haven, Port Talbot, Holyhead, Fishguard, Swansea, Cardiff and Newport. The largest, Milford Haven, is the third largest port in the UK handling mainly energy commodities. However, “minor” Welsh ports also serve key markets. For example, Mostyn supports off-shore wind farm

² Available on Welsh Government web-site:
<http://gov.wales/topics/environmentcountryside/marineandfisheries/marine-planning/other-supporting-evidence/wales-marine-evidence-report/?lang=en>

construction and maintenance, and the export of Airbus aircraft wings.³

48. During 2013 about 59 million tonnes of freight traffic passed through Welsh ports comprising 12 per cent of the total UK port traffic. The majority (about 71 per cent) was liquefied bulk (mainly liquid oil products, crude oil and liquefied gas).

49. Ports are also major employers in coastal communities. Milford Haven Port told us how the port accounts for over 5,000 jobs in Wales and hosts significant employers in the energy sector.⁴ Associated British Ports (ABP) described how its five south Wales ports (Barry, Cardiff, Newport, Port Talbot and Swansea) support 15,000 Welsh jobs contributing more than £1 billion to the economy.⁵

Economic potential of marine energy

50. During our visit to Brussels we heard impressive statistics from Ocean Energy Europe of the economic potential of the marine energy sector. Rhodri Glyn Thomas in his report for the CoR included this data in his work: an estimated 500,000 jobs could be created in the EU from the emerging marine energy sector, with potential to generate up to 15% of EU energy demand by 2050 through renewable sources.

51. Marine Energy Pembrokeshire told us that:

“...the UK could capture a slice of the global marine energy market worth up to £76 billion and, separately that this could contribute around £4 billion cumulatively to UK GDP by 2050.”⁶

52. We also heard that the industry is already having a positive effect on the economy even though renewable energy devices have only recently begun to be put in the water.⁷ Marine energy Pembrokeshire told us that it:

³ Welsh Government Statistical Bulletin, Sea Transport, 2015

⁴ Milford Haven Port Authority written evidence

⁵ Associated British Ports written evidence

⁶ Marine Energy Pembrokeshire written evidence

⁷ Giant tidal turbine placed on seabed off Pembrokeshire - BBC
<http://www.bbc.co.uk/news/uk-wales-south-west-wales-35087510>

“...has already contributed over £34.5 million to Wales and is already having a positive impact on jobs and growth.”⁸

53. Tidal Lagoon Power also told us about their projections of the potential impact of their plans:

“The Tidal Lagoon Swansea Bay project will result in up to 1,900 full time equivalent jobs during the construction stage, and up to 181 long term full time equivalent operations, maintenance and employment relating to the running of the recreational facilities⁹. In terms of economic stimulus to the region, this amounts to up to £316 million GVA during construction and £76 million GVA per annum throughout the 120 year operational life of the tidal lagoon.”¹⁰

A strategic approach to maritime growth

54. One of the central themes of the inquiry was the role of the Welsh Government in supporting the maritime economy.

55. Work is already underway on the preparation of a National Marine Plan for Wales and this provides an opportunity for the Welsh Government to take a strategic approach to the development of the maritime economy as a whole.

56. The [*Marine and Coastal Access Act 2009*](#) requires Welsh Ministers to develop a marine plan or plans for Wales which cover both the inshore and offshore waters of Wales. The aim is to map out on a spatial basis priorities and objectives for the marine environment such as fisheries, conservation, tourism, transport and energy; and to balance and coordinate competing priorities for use.

⁸ Para 307, 15 October 2015

⁹ The Centre for Economics and Business Research, July 2014, *The Economic Case for a Tidal Lagoon Industry in the UK*.

¹⁰ Tidal Lagoon Power written evidence

57. The Welsh Government first consulted on its approach to marine planning in 2011 and at this time it was anticipated that a marine plan/s would be in place by 2013-14. The Welsh Government's [current commitment](#) is to consult on a draft marine plan for both the inshore and offshore waters of Wales in late 2015 early 2016¹¹. The Welsh Government anticipates adopting a first iteration of the Wales National Marine Plan by later 2016/early 2017.

58. The Environment and Sustainability Committee undertook an inquiry into marine policy in Wales in 2012¹². Its report (published in April 2013) noted the importance that stakeholders from all sectors placed on the development of a marine plan as a priority for Wales. In their evidence to the Committee stakeholders outlined their belief that a plan would provide both certainty and clarity for marine users. The Environment and Sustainability Committee concluded that:

The development of a marine plan for Wales is crucial and should form the bedrock of the Welsh Government's marine policies.¹³

59. Marine Energy Pembrokeshire described the Welsh Government's approach to date as 'an evidence based approach' but that it had been a 'bit light' on policy. Tidal Lagoon agreed and called for an integrated approach to the sector citing Ireland and Scotland as examples of where this happens already.

60. Tidal Lagoon Power stated:

"A strategy for the maritime economy could help align the various/multiple Welsh Government priorities, and also help alignment with EU priorities and the EC Blue Growth Strategy to maximise leverage of structural funds to progress the maritime economy in Wales."¹⁴

¹¹ Written Statement - Update on the Marine and Fisheries Strategic action plan – March 2015 published on Welsh Government web-site 1 April 2015.

¹² See Environment and Sustainability Committee [web-pages](#) for further details.

¹³ [Inquiry in to Marine Policy](#) [PDF], Environment & Sustainability Committee, National Assembly for Wales, para 71, page 27

¹⁴ Tidal Lagoon Power written evidence

61. Anglesey Council also called for a strategy for the maritime sector underlining the knock-on benefits linked to targeting EU funding:

“EU Funding sources linked to the Maritime sector are currently under utilised. The development of a Strategic Plan for the Maritime Economy... along with a clear delivery plan would allow for the funding sources to be aligned effectively with required interventions.”¹⁵

62. Wales Environment Link underlined the need for an eco-systems approach:

“...the development of the maritime economy must be done using an ecosystems-based approach – looking at the management of the environment as a whole, including the human relationship with the environment, whilst equally balancing the social, economic and environmental issues.”¹⁶

63. Ireland’s Integrated Marine Plan takes a whole-government approach. Overarching responsibility for implementation of the Irish Marine Plan is assigned to the Marine Co-ordination Group (MCG) chaired by the Minister for Agriculture, Food and the Marine, Simon Coveney TD. The MCG’s role is to supervise cross-government delivery and implementation, and it holds monthly meetings to check departmental progress against the objectives.

64. In Wales, policy responsibility for the maritime economy is split between the Minister for Economy, Science and Transport and the Minister for Natural Resources. While the Welsh Government already has a Marine Strategic Governance Board it does not provide for a whole government approach to the maritime economy in Wales. During this inquiry we have seen evidence of a fragmented approach to the maritime economy in Wales.

65. The Irish Marine Plan also sets clear policy goals – bringing together economic, ecological and wider social goals (in terms of strengthening engagement of Irish people with the sea and the maritime identity). It also sets specific economic targets, with dates for these to be achieved:

¹⁵ Isle of Anglesey County Council written evidence

¹⁶ Wales Environment Link written evidence

- Double the value of ocean wealth to 2.4% of Irish GDP by 2030.
- Increase the turnover from the Irish ocean economy to exceed €6.4bn by 2020.

66. During our Dublin visit we also heard about the importance to the Irish Government of aligning their strategy to the EU's priorities. In this way they have been able to maximise EU funding opportunities. As we discuss below, we heard that similar benefits could result where Welsh national ports policy and port development plans are aligned to EU policies.

67. We recognise the support that the Welsh Government has shown in particular for the development of the marine energy sector to date. However, it is clear that Welsh stakeholders want the Welsh Government to take a more strategic approach to the maritime economy as a whole.

68. The Wales National Marine Plan needs to plan for the development of the maritime sector as a whole. It should encompass sustainable growth, economic development – including renewable energy, tourism, fisheries, aquaculture, ports policy, and skills. It should be a vehicle for growing the maritime economy sustainably and for preserving and protecting the Welsh marine environment.

Main recommendation

The Welsh Government should ensure that the Wales Marine Plan provides a comprehensive and overarching framework for the sustainable development of Wales' marine resources and coastal communities. It should contain objectives and measurable targets – including for economic performance – and be implemented through a 'whole government' approach, modelled on the Irish Integrated Marine Plan.

4. Marine renewable energy

The strength of Wales in marine energy

69. The work underway in Wales to harness marine energy potential offers great opportunities for international collaboration. For instance, Anglesey Energy Island told us they are in discussions with overseas energy parks in Malaga, Bilbao and Sweden, and we have already seen a €9m investment by the Swedish company Minesto in Anglesey.¹⁷

70. Professor Colin Jago from SEACAMS told the Committee of the potential for Welsh renewable energy companies to export their technology and expertise.

“Wales is in a terrific position to exploit marine renewable energy. Companies that come here in order to work in Wales will expand their operations overseas. I’m pretty sure that Tidal Lagoon Power are already looking at China. They’re looking at the Chinese coastline because China has got a big tidal range – fast tidal currents – just as we have... I would expect that any company that might be in north Wales that has got the required expertise is going to rapidly expand its activities way beyond Europe into areas like China, where the potential is huge.”¹⁸

71. Marine Energy Pembrokeshire told us that their working group meetings in Cardiff drew in technology developers from across the world who are interested in exporting their products to Wales.

“...As Marine Energy Pembrokeshire, we’re not a developer ourselves, but we have a lot of developers in our working group, if you like, and the interest in Wales has grown so significantly that, in our working group meetings in Cardiff, we’ve had technology developers from Australia, America, Sweden, Scotland and Ireland. So, there’s a real interest now, driven by structural funding, which is a real advantage.”¹⁹

¹⁷ Para 214-215, 9 July 2015

¹⁸ Para 225, 9 July 2015

¹⁹ Para 308, 15 October 2015

72. The Welsh Government's decision to earmark €100m of its EU Structural Funds for marine energy has received praise in Wales and at EU level. We understand that this is the largest investment of its kind in the EU. The Welsh Government is to be applauded for its foresight in this decision.

73. The recent establishment of the Marine Energy Task and Finish Group by the Welsh Government has also been widely supported.

74. We were impressed by the work to date by the organisations we took evidence from, Tidal Lagoon Power and Marine Energy Pembrokeshire, and also Energy Island Anglesey. Significant preparatory work is underway to sow the seeds for major investments in the sector.

Ocean Energy Roadmap and EU level impetus

75. In Brussels we heard that while there is recognition of the huge potential of marine energy, the sector is not developing as quickly as originally hoped. There are concerns that if the EU does not drive forward the agenda it could be overtaken by other parts of the world.

76. To provide a renewed impetus to the sector at EU level the European Commission, under the lead of DG Maritime Affairs, established the Ocean Energy Forum in 2014 tasked with producing an Ocean Energy Roadmap for this sector.

77. We also heard about the role of Ocean Energy Europe, a membership forum bringing together businesses, researchers, public bodies and other interested parties involved in developing this new sector. We met the Director of Ocean Energy Europe's Brussels Office during our visit.

78. We were pleased to see that Welsh universities had been involved in the Ocean Energy Forum, including Swansea University which is also a member of Ocean Energy Europe. We also heard that Tidal Lagoon Power and Marine Energy Pembrokeshire have been actively involved in the Ocean Energy Forum and Ocean Energy Europe.

79. We were disappointed, however, to hear that the Welsh Government has not been involved in the Ocean Energy Forum, and is not a member of Ocean Energy Europe. Furthermore, we were extremely disappointed that the Minister for Natural Resources

withdrew from Ocean Energy Europe’s annual conference in Dublin in October 2015. This would have been an ideal opportunity to showcase Wales’ potential alongside Scotland and Ireland, and to signal Wales’ willingness to invest in and support the marine renewable energy industry.

80. This lack of engagement is not restricted to the EU level as we heard from Marine Energy Pembrokeshire:

“I think we’ve probably spent the last six years going to UK conferences—marine energy, specifically—and quite often it feels a little bit like ‘the Scotland show’, because [Scottish Government] is there every single time giving some clear, strong messages about how Scotland supports that.”²⁰

81. Dr Masters told us that marine energy is a ‘niche area’ within Wales, and has not had much prominence until recently in Welsh Government or in terms of research investment.

82. We are concerned at the lack of consistency in approach by the Welsh Government, and the lack of strategic leadership to the marine energy sector. We see this reflected in its approach to the maritime economy as a whole.

83. There is a danger that if the Welsh Government does not quickly take a more joined up and strategic approach it could risk undermining the very positive steps it has been making to date in supporting the indigenous development of the sector in Wales. As already noted, this is in stark contrast to the Irish Government’s approach.

84. Rhodri Glyn Thomas AM told us about the need for structured co-operation around the Atlantic Ocean. He argues for the creation of a strategic partnership or Macro Region, bringing together the five EU Member States that border it (UK, Ireland, France, Spain and Portugal) focused on driving forward the development of marine energy in the Atlantic. We believe there is merit in pursuing this idea further.

²⁰ Para 353, 15 October 2015

Barriers/challenges facing the sector

85. We heard from Ocean Energy Europe, DG Maritime Affairs and from Rhodri Glyn Thomas AM that there is a consensus within the EU ocean energy sector, concerning the main barriers and challenges hindering the growth of the sector at EU level. These are grouped into the following broad categories:

- Technological/research;
- Financial;
- Governance/consenting (including data collection, availability and analysis);
- Grid infrastructure related challenges; and
- Environmental concerns.

86. We saw evidence of these barriers facing the marine energy sector in Wales, as well as examples of ongoing work aimed at addressing these. We were told that for much of the marine energy sector there are still technological/research issues to crack.

87. The absence of mature technologies creates barriers to investment. However, when combined with the high costs associated with working at sea, and the costs of transporting energy to the mainland, the challenge of attracting financial investment is clear.

88. Wales cannot tackle these barriers alone. It must partner with other countries/nations/regions and take an active involvement in EU level initiatives such as the Ocean Energy Forum.

89. Tidal Lagoon Power stated that:

“The considerable opportunity to Wales from a tidal lagoon industry will be lost without practical support from the Welsh Government to deliver the World’s first at Swansea Bay.”²¹

90. The sector will only mature once projects are under way.

²¹ Tidal Lagoon Power written evidence

Previous work by Environment and Sustainability Committee on marine renewable energy

91. The need for the Welsh Government to champion marine renewable energy and ease the barriers to growth has previously been addressed during this Assembly by the Environment and Sustainability Committee, including a number of recommendations on how the sectors growth can be supported.²²

92. Our report on ‘Interconnectivity through Welsh Ports and Airports’²³ also recommended that the Welsh Government should reflect the strategic importance of ports in the renewable energy supply chain in Welsh energy policies.

Data availability

93. Data collection, availability, and analysis is a theme that came out in the evidence as both a barrier to and an opportunity for the development of the sector. There is a clear need for reliable data but the marine environment makes it difficult and costly to obtain.

94. Again, these are issues that have been looked at in detail by Environment and Sustainability in its work on its [Marine Policy in Wales](#) inquiry and more recently in its Stage 1 report on the draft *Environment (Wales) Bill*.

95. Dr Masters, from Swansea University, pointed to the challenges projects face in getting off the ground in the marine energy sector where insufficient data is available. He suggested taking a more proactive approach as adopted in Scotland:

“So, a very sensible way forward is to deploy a monitor approach, where technologies are deployed at sea at an appropriate scale and then the university input is to help in the monitoring process to understand what those first projects are doing to provide the evidence base, and you can then manage impacts or lack of impacts going forward, based on that evidence.”²⁴

²² [Energy Policy and Planning in Wales](#) [PDF], July 2012 Para 63

²³ [International Connectivity Through Welsh Ports and Airports](#), [PDF] July 2012

²⁴ Para 210, 15 October 2015

96. Commercial ventures and higher education researchers called for increased investment by the Welsh Government in gathering and making available sufficient data to ‘de-risk’ renewable energy projects for potential investors.

97. We heard during our visit to Dublin about the work the National University of Ireland Galway has been undertaking on gathering and analysing socio-economic data on the maritime economy. The importance of data gathering, co-ordination and sharing in Ireland and at EU level is a thread that runs through the Irish Marine Plan.

Grid infrastructure and access

98. A potential barrier to exploiting the opportunities of marine renewable energy is the need to bring the energy onshore. Dr Masters of Swansea University identified the need to address this proactively when he gave evidence to the Committee.²⁵

99. The Minister for Economy, Science and Transport recognised the need for devolution of the mechanisms to progress developments but stopped short of saying that access to the grid infrastructure should be devolved. She commented:

“Grid infrastructure: this is going to be a big issue in terms of the development of marine energy and the development of the ports. You know, we just need to have mechanisms in place to help us with some of this as we drive this agenda forward, because the grid will definitely be an issue.”²⁶

100. Given the high costs of infrastructure investments, there is merit in exploring the scope for EIB support and the appropriateness of the EFSI (part of the Investment Plan for Europe) for projects looking at enhancements to grid infrastructure.

101. While grid connection and enhancement will be a challenge to developing marine energy in Wales, we were reminded that these will be less of a challenge than in some of the more remote parts of the UK, including many parts of Scotland, which gives Wales a potential competitive advantage when it comes to attracting future marine energy investments.

²⁵ Para 220, 15 October 2015

²⁶ Para 130, 15 October 2015

The strike prices for renewable energy

102. A potential barrier to realising the potential of marine energy projects is the lack of clarity over the strike prices for different technologies – the agreed price the UK Government will pay for energy generated by each technology. Dr Masters told the Committee that, along with infrastructure, certainty on this issue was essential:

“... confidence about strike price, cables in the water, and confidence about planning, and we can go. It’s an industry waiting to start, really.”²⁷

103. The Minister for Economy, Science and Technology Edwina Hart recognised this in her evidence to the Committee.²⁸

104. She said that she has had regular discussion with the UK Government to ascertain the strike price for tidal lagoons and would continue to press this issue.²⁹

Planning, licencing and consenting issues

105. Planning, licensing and consenting issues have been highlighted as potential barriers to development. These issues falls within the remit of Environment and Sustainability Committee, which has undertaken a number of pieces of work on this including most recently as part of it scrutiny of the draft [Environment \(Wales\) Bill](#).

106. We would reiterate the need to ensure that planning, licensing and consenting regimes don’t unnecessarily hinder the development of the marine energy sector in Wales. However, development of this sector must be grounded on the basis of sustainable development and an eco-systems based approach.

107. An example of the potential complexity of this area is the Tidal Lagoon Swansea Bay development. We heard throughout this inquiry positive comments about the potential economic, social and environmental impacts of this planned investment. We received written evidence from Pontardawe and Swansea Angling Society and Afan Valley Angling Club setting out their concerns about the potential impacts of this scheme.

²⁷ Para 294, 15 October 2015

²⁸ Para 94, 15 October 2015

²⁹ Para 184, 15 October 2015

108. This highlights the importance of having a National Marine Plan for Wales, which sets out on a strategic and spatial basis Wales' priorities for its marine environment. The planning, licensing and consenting processes must be robust to deal with concerns raised by organisations in Wales.

109. We would also note that the comments regarding the role of Natural Resources Wales (NRW) which has responsibility for marine licensing for Welsh inshore waters (0-12 nautical miles) were largely positive, since it has expanded the team dealing with these areas.

110. Concerns were raised about the speed with which decisions are taken, as well as the level of fees charged for some services, and the complexity of the consenting and licensing regime. We note that the Welsh Government is in the process of conducting a fees review within the context of the additional powers over marine licensing it is seeking through the Environment (Wales) Bill.

111. Further powers are likely to be devolved through the draft Wales Bill, which provides the Welsh Government with an opportunity to look again at the marine planning/consenting and licensing regimes.

112. We heard that Scotland has been praised for its licensing, planning and consenting regimes, and we would encourage the Welsh Government and NRW to consider if there are lessons that can be learnt from this and applied to Wales.

Support to develop the supply chain

113. As well as the large energy projects, the potential exists to develop the smaller businesses which serve the supply chain.

114. We heard evidence that the benefits of the renewables industry had to be developed throughout the supply chain, with calls for more to be done to involve and engage local SMEs.

115. For instance, Neath Port Talbot CBC highlighted that any large scale projects will provide an opportunity for inward investment and for the opportunities to develop a local Welsh supply chain. They called for 'sustainable legacy developments' to be requested from overseas technology providers, such as setting up operations local to

each project. They called for Wales to try and secure the headquarters operations for projects in Wales on a long term basis.³⁰

116. Both Swansea and Anglesey Councils called for more awareness raising for SMEs of the potential opportunities that will come from major investment projects in the marine energy sector.

117. Neath Port Talbot Council told us:

“Social Benefit clauses for creating targeted recruitment and training, commitment to local sourcing and other community benefits should be built into maritime business contracts and funding offers.”³¹

118. Marine Energy Pembrokeshire also recognised the need to support smaller companies:

“Welsh Government could provide overarching support, particularly to SME’s in identifying and ensuring project fit, partners and maximum impact. Large funding programmes are often more suited to larger organisations and academic institutions who have specialised teams to deal with the often complex applications.”³²

119. Renewable UK called for supply chain targets to be set by Government:

“Local value created should be properly accounted for. For example, indicative aspirational content/expenditure targets could be built in to project plans. The supply chain plan requirements for offshore wind are an example of this type of goal-setting.”³³

³⁰ Neath Port Talbot County Borough Council written evidence

³¹ City and County of Swansea written evidence

³² Marine Energy Pembrokeshire written evidence

³³ Renewable UK written evidence

Recommendations

We recommend that the Welsh Government:

Prioritise participation in EU networks, projects and partnerships in the marine energy sector, taking a proactive and outward-looking approach to engagement with EU level initiatives.

Ensure the EU Funding Ambassadors are integrated into the work of the new Marine Energy Task and Finish Group to ensure opportunities for EU funding and finance are fed into the work of this group.

Explore the potential for developing an Atlantic Macro Region or Strategic Partnership, in discussions with Ireland, Scotland, the UK Government, the European Commission, and through its membership of the Committee of the Regions and the Conference for Peripheral and Maritime Regions (CPMR).³⁴

Demand early decisions from the UK Government to ensure that there is clarity on the strike prices for different renewable marine energy technologies as soon as possible.

Provide greater financial support for marine data collection projects including the potential impacts of developments on the marine environment. This should include thinking creatively and proactively about how different EU funding streams can support this.

³⁴ <http://www.crpm.org/>

5. Ports

Devolution of ports policy

120. When we published our report on ‘International connectivity through Welsh ports and airports’ in July 2012, a key recommendation supported the Welsh Government’s view that ports policy should be devolved.

121. In February 2015 the UK Government published a command paper on further Welsh devolution: ‘Powers for a purpose: towards a lasting devolution settlement for Wales’.³⁵ The paper set out the UK Government’s intention to devolve ports policy to Wales. It agreed:

“...that the devolution of ports policy fits well with the existing responsibilities of the Assembly and the Welsh Government in areas such as economic development, transport and tourism. Ports policy is currently not devolved, except for small harbours used mainly for the fishing industry and for leisure.

“The devolution of ports policy would enable the Welsh Government to consider the development of Welsh ports as part of its wider strategies for economic growth and ensure port development was fully integrated into plans to improve Wales’s transport infrastructure.”³⁶

122. The Draft Wales Bill published on 20 October 2015 includes provisions which, if enacted, will devolve key aspects of ports policy, including the planning regime for most ports. It would enhance the competence of the National Assembly for Wales to pass legislation, but would also transfer various current executive powers from the Secretary of State to Welsh Ministers.

123. A number of reservations, or areas where the Assembly will not be able to pass laws, would remain. Potentially the most significant of these is that relating to “reserved trust ports” which would prevent the

³⁵ Powers for a Purpose: Towards a Lasting Devolution Settlement for Wales
<https://www.gov.uk/government/publications/powers-for-a-purpose-towards-a-lasting-devolution-settlement-for-wales>

³⁶ *ibid*

Assembly passing laws affecting larger Welsh trust ports.³⁷ Similar restrictions would apply post enactment in relation to Welsh Minister's executive powers.

124. However, overall the draft provisions represent a significant transfer of port powers to Wales from Westminster.

125. This inquiry was conducted in the context of these proposals. However, evidence gathering was completed before the Draft Wales Bill was published so we have not considered the scope of the proposed powers themselves.

Diversification in Welsh Ports

126. We described in section 3 above the economic impact ports have in Wales, and the importance of ports to the maritime and wider economy in Wales. Yet we also heard of potential threats to Welsh ports from the expansion of Liverpool and Bristol Ports reflecting international trends towards larger ships.³⁸

127. Ports do not simply carry freight. They are hubs for the maritime economy. The European Commission's Blue Growth strategy describes the traditional role of ports and coastal communities as "centres for new ideas and innovation". It refers to the interconnected nature of blue economy sectors and the extent to which "they rely on common skills and shared infrastructure such as ports and electricity distribution networks".³⁹

128. In March 2015 Matthew King of DG Maritime Affairs outlined the Commission's view on how the role of ports should be developed:

"...the thing to do is not to think so much about how much more concrete can be poured on the coastline, but more how can ports develop their provision of services in a smart way to help provide support for.....emerging industries. It may be they need to develop their hinterland connections, or they need to develop port connections.

³⁷ Trust Ports are independent statutory bodies governed by their own statutes under the control of a local independent board. The trust ports in Wales are Milford Haven, Newport, Neath, Saundersfoot and Caernarfon.

³⁸ Rail Freight Group written evidence

³⁹ [COM\(2012\) 494](#) [PDF], published 13 December 2012

“I think, maybe, that the future of ports as well is to try to diversify a little bit their portfolio of services that they’re currently providing, because they have a great location, and they have already some great infrastructure. So, the question for them will be how they can maximise their potential in partnership with other ports and other local businesses. I think that’s an avenue worth exploring in future.”⁴⁰

129. Many of the blue economy sectors identified in the Commission’s Blue Growth Strategy coincide with those considered in our report into *International Connectivity Through Welsh Ports and Airports*, including:

- Renewable energy (off shore wind and ocean renewable energy);
- Short sea shipping (i.e. coastal seaborne trade and freight as well as passenger ferry services);
- Cruise tourism; and
- Coastal tourism.

130. When we spoke to Milford Haven, Mostyn and Holyhead Ports we discussed their views on the wider economic role of ports, how they diversify and react to market changes.

131. Mostyn Port said:

“...we believe that some ports should not be regarded as a maritime cargo handling facility in the first instance. Most ports have quite large landholdings; with a change of emphasis perhaps their future development should be more focused on providing industrial/manufacturing locations which also includes import/export facilities as secondary. In essence, some ports should be regarded more so as industrial parks with access to sea transport.”⁴¹

132. Mostyn’s written evidence described how it gained a “strong reputation within the offshore renewable energy sector” following the decline of the mining and raw materials import markets which were its previous core business. The skills and expertise gained have allowed the port to undertake windfarm construction and maintenance

⁴⁰ Para 65, 19 March 2015

⁴¹ Port of Mostyn written evidence

contracts across the UK and Ireland. It is reacting to further market shifts following the cancellation of the Celtic Array Round 3 project and considering opportunities from biomass, energy from waste, tidal / wave energy and construction of Wylfa nuclear power plant.⁴²

133. Milford Haven Port said it “is leading the way in engagement with the wave and tidal renewable energy sector”. It said that it recognises that it has lost competitiveness in energy commodities, a sector it described as “at risk” in the port. We heard how the skills in these industries lend themselves to the marine renewables sector which shares an interest in the infrastructure, site proximity and engineering skills in the port.

134. Milford Haven also emphasised the opportunities arising from the Milford Dock master plan which will turn the dock into “one of Pembrokeshire’s most vibrant waterfront destinations encompassing tourism, marine leisure and professional fishing activity as Wales’ largest fishing port.”⁴³

135. We were also pleased to hear from Holyhead Port how its view of the port’s economic role had developed in recent years:

“I think the attitude has changed, from my board’s point of view, over the last few years; we’re probably starting to understand the value of ports. And that first step was creating a master plan for Holyhead port, because we’re only using part of the asset, and we kind of recognise that. Obviously, still our core business is roll-on, roll-off, but with the advent of the master plan, we are starting to broaden our horizon, so to speak. So, with things like offshore renewables, no, we will not drive those, but we see ourselves as a facilitator. I think the mindset has changed, at least in Holyhead port that we have land and we need to find better uses for that land.”⁴⁴

136. Holyhead Port told us that it is developing links with the renewables sector, specifically referring to work by Minesto and Bangor University on ocean energy.⁴⁵

⁴² Ibid

⁴³ Milford Haven Port Authority written evidence

⁴⁴ Para 119, 9 July 2015

⁴⁵ Para 64, 9 July 2015

137. We welcome the approach taken by Welsh ports. While we will discuss some opportunities for further support and development below, the evidence we heard suggests these ports recognise their wider economic role. They are seeking to diversify in ways which not only engage with emerging opportunities but also retain and build on existing jobs and skills.

138. During our visit to Dublin we discussed the importance of integration of ports into the local economy, and co-operation with local authorities. In particular, Dublin Port described how its relationship with Dublin City Council had improved to the benefit of both the port and local area.

139. We are pleased to note evidence from some local authorities – most notably Anglesey and Flintshire – who responded to our consultation indicating that ports do engage with and invest in their local community.

140. We heard evidence suggesting a key supporting and facilitating role for the Welsh Government.

141. Neath Port Talbot Council saw a need for investment:

“Lack of investment and development at Port Talbot has limited the potential for the Dock and Tidal Harbour.....As we move forward as a thriving City Region, seeking to maximise employment and wealth creation, Port Talbot needs to play its part in future growth and capitalise of the fantastic natural advantages the port has.”⁴⁶

142. Associated British Ports, which owns and operates Port Talbot, noted opportunities to develop the potential of its ports:

“ABP would wish to engage closely with [Welsh Government] in respect of inward investment and the potential offered by its strategic land areas on its port estates and employment sites in close proximity with good access to ports.”⁴⁷

⁴⁶ Neath Port Talbot County Borough Council written evidence

⁴⁷ Associated British Ports written evidence

143. Similarly, Milford Haven Port's evidence also suggested a need for support:

“Particular help will be needed to justify substantial new investment in new boat and ship repair facilities at Pembroke Dock, given the challenges being faced by the engineering sector in the county following cessation of refining.”⁴⁸

144. Opportunities to develop the cruise industry were also apparent. When we visited Holyhead Port we saw the potential for development of cruise facilities, including berthing facilities. In its evidence, Holyhead emphasised the fact that the direct return to ports from cruise infrastructure did not justify investment by the port itself despite wider economic benefits. This point was also made by Dublin Port during our visit to Ireland and identified in our previous work on ports.

145. Other evidence suggested there may be opportunities for cruise elsewhere in Wales. Neath Port Talbot Council suggested Port Talbot “has the capability...[to accommodate cruise liners]...with some support funding and investment”.

146. We welcomed the Minister's reference to the Welsh Government's work on development of the cruise industry and facilities in her Plenary Statement on ports on 7th July 2015:

“We are also supporting the use of ports in Wales as cruise liner call ports, and encouraging ports and marinas as tourism gateways. In 2014, we saw a 155 per cent increase in cruise ships visiting Wales on the previous year, with an economic impact on Wales of some £2.9 million. This year, we will welcome 41 cruise vessels, carrying more than 21,000 passengers.

“Again, adopting a co-ordinated approach, we are working with Anglesey to develop the on-land visitor infrastructure to improve the sense of welcome for cruise visitors. The project is one of the three regionally prioritised projects from north Wales to be included within Visit Wales's European regional development fund destination programme.

⁴⁸ Milford Haven Port Authority written evidence

“In Fishguard, we are also exploring an option to deliver a floating pontoon to allow cruise ships to berth from 2016 onwards.”⁴⁹

147. During our visit to Holyhead Port we heard confirmation that the Welsh Government’s work on developing the Welsh cruise market is paying off.

148. We welcome this work which is addressing the cruise related issues we raised in our report into *International Connectivity Through Welsh Ports and Airports*⁵⁰ and commend the Welsh Government for its work in this area. Inevitably more needs to be done to support the cruise sector and the development of ports more generally.

149. We believe that if the Welsh Government adopts the strategic approach to the Maritime Economy we recommend in this report this will provide an impetus for stronger co-operation with ports within a new Welsh ports strategy.

Enterprise Zones

150. The Welsh Government’s evidence suggests it sees a key role for Enterprise Zones in developing ports and the Maritime economy:

“We are clear on our intentions to use Enterprise Zones as a means of supporting and stimulating commercial activity and investment in and around ports which will, in turn, help promote the wider maritime economy.

“For example, the deep sea port of Milford Haven is a key selling point to potential investors in the Haven Waterway Enterprise Zone. The Port of Holyhead is an essential component of the North Wales Enterprise Zones and will likely play a key role within both the Wylfa Newydd project and marine energy sector by providing space for dockside facilities.”

151. The benefits of Enterprise Zones to port development and the wider maritime economy were also recognised by witnesses and respondents. Marine Energy Pembrokeshire said that it “promotes the

⁴⁹ Plenary record of proceeding, 7 July 2015

⁵⁰ [International Connectivity Through Welsh Ports and Airports \[PDF\]](#)

use and benefits of Enterprise Zones and marine energy companies have benefited from being located in the [Enterprise Zone] area”.⁵¹

152. Swansea Council told us that it preferred a more general national / cross government maritime economy strategy to geographically targeted maritime Enterprise Zones, but saw benefits from the development of Enterprise Zones as part of that strategy:

“I think enterprise zones could play their part within that strategy, and a good example might be the tidal lagoon. During the construction of that facility there will be many, many spin-off opportunities for local business, skills and recruitment. There could be the potential for the benefits associated with an enterprise zone to help stimulate some of those spin-offs.”⁵²

153. Neath Port Talbot Council recognised that Enterprise Zones provided added incentives for developing existing businesses and attracting new investment. It commented that Enterprise Zones “would be something we would welcome in Neath Port Talbot.”⁵³

154. Milford Haven Port also recognised their benefits, but suggested that these should not be sector specific:

“Port areas need to be recognised as core development and economic zones for the Welsh Economy with hinterland connections to match. The creation of enterprise zones around ports is indicative of a strategic approach, but making enterprise zones sector specific is likely to restrict opportunity.”⁵⁴

Transport connectivity to Welsh ports

155. It was clear from evidence presented to the Committee there is a pressing need to improve transport links to Wales’ ports. The Welsh Ports Group of the British Ports Association told us:

“The quality of the transport network is critical for efficient freight movement and business growth. The ports sector is essentially a private sector industry operating in competition,

⁵¹ Marine Energy Pembrokeshire written evidence

⁵² Para 38, 15 October 2015

⁵³ Neath Port Talbot County Borough Council written evidence

⁵⁴ The Port of Milford Haven written evidence

unsubsidised on a commercial basis. While ports ask very little of government they do require a good national transport infrastructure and good links to the network. While we would not underestimate the role that rail can play in the freight sector, roads are of particular significance to ports, with around 85% of all landside port traffic in the UK entering and leaving by vehicle.”⁵⁵

156. They praised the Welsh Government’s efforts to bring together freight-focused stakeholder groups but complained that funding to follow their recommendations “remains a challenge”.⁵⁶ They have called for clearer funding commitments to support the development of ports and encouraged the Welsh Government to ensure that:

“Port connectivity and freight network improvements are prioritised with new arrangements whereby information about port connectivity needs can be fed into policy and planning processes at regional and national levels”.⁵⁷

Roads

157. By far the greatest volume of Welsh maritime transport is from Ireland, particularly by road via Holyhead with 78% of all road freight to and from Ireland, and just over 75% of all passengers, passing through the port.⁵⁸

158. The need for effective road networks to ports was widely highlighted by consultation respondents, particularly the A55 corridor in north Wales, and the A40 in south Wales. For example, Irish Ferries commented:

“In North Wales, access to and from the port of Holyhead, is still hampered by the junction over Blackbridge, to connect to the A55. This is a significant bottle neck on departure from the port (it is the first impression of Wales from the perspective of Irish Passenger entry into Wales) and is not in keeping with what is the UK’s second largest [roll-on roll-off] port and should

⁵⁵ Page 1, Welsh Ports Group written evidence

⁵⁶ Page 2, *ibid*

⁵⁷ Page 4, *ibid*

⁵⁸ Welsh Government Statistical Bulletin, *Sea Transport*, February 2015

be addressed, in tandem with port development plans from the Port Authority.

“In South Wales, there are business cases being made, to support the dualling of A40 to Haverfordwest and the A477 to Pembroke Dock. It is unlikely that there will be funding for both projects and it is crucial that the final decision helps to sustain the current traffic levels on the primary route, but also provides for future growth.”⁵⁹

159. In terms of the A40 and A477 in south Wales, Milford Haven Port told us there are differences of opinion about which should be “supported”:

“I think there is some work to be done to actually investigate the merits of both of those route....and that’s what we would strongly encourage. However, for ports and for ports generally, with my Welsh ports hat on, all investment in roads is a good thing.”⁶⁰

160. On our visit to Dublin the Irish Exporters Association said that work done to date on the A55 was beneficial. However, it suggested that congestion on the A40 discourages use of this southern corridor which is a threat to the viability of these ports for road freight.

161. Ports were keen to emphasise that even marginal gains in improving connectivity were key to maintaining competitiveness with other UK and European ports. For instance, Irish Ferries mentioned the cost of the Severn bridge toll was a factor in decision-making for hauliers when establishing distribution hubs.

162. Anglesey County Council’s evidence said ‘the modernisation of A55 is essential if future developments are to be facilitated and their benefits maximised’.

⁵⁹ Irish Ferries written evidence

⁶⁰ Para 37, 9 July 2015

163. The Minister for Economy, Science and Transport agreed with the need to invest in road transport. She said:

“I see the A55 as being absolutely crucial, and other parts of the network in north Wales, to ensure that we have greater economic activity in other parts of Wales.”

“We’re obviously looking at the issues about whether we require another crossing to Ynys Môn.”

164. She pointed out that “In terms of roads policy, we are spending what we’re able to in terms of the financial transport plan.”⁶¹

Rail

165. While evidence suggested that road investment was the priority for most witnesses and consultation respondents, the need to consider investment in rail was also identified although the issues involved are more complex.

166. The most vocal calls for rail investment came from the Rail Freight Group:

“RFG believes the current rail network in Wales presents a barrier to the development of ports in Wales, and that investment will be required to allow rail to play a full role in serving increased traffic through the ports and allowing the potential of the Maritime Economy to be developed in an environmentally sustainable manner. In particular, significant investment in the provision of enhanced loading gauge capability will be required, beyond the current plans which are limited to south-east Wales.”⁶²

167. In terms of rail freight between Dublin and Holyhead Irish Ferries said, “the rail links are so far behind that that it doesn’t bear thinking about, really, in terms of the level of investment required.” It emphasised the need to invest in better road networks.

⁶¹ Para 141 and 142, 15 October 2015

⁶² Rail Freight Group written evidence

168. When we met the Irish Exporters Association in Dublin it suggested that W10 gauge might be beneficial in future if it allowed Irish Exporters to ship containers by rail from Holyhead direct to Europe.

169. Port of Mostyn sounded a note of caution, however, in terms of rail freight investment in north Wales:

“A major concern about ongoing proposals for the rail infrastructure is that over the past thirty years there have been numerous studies into the improvement and redevelopment of rail to facilitate the movement of unitised traffic (containers and trailers) between Holyhead and the Humber estuary ports, often referred to as a ‘Landbridge’ service.

“In our view the main beneficiary from such a service would be traffic between Ireland and Europe with just minor improvements and benefits to businesses in north Wales. Indeed it can be argued that such a service would inadvertently have an adverse impact on north Wales as it would soak up investment leaving little funding available for improvements to the region’s own rail freight requirements.”⁶³

170. The port also expressed concern about the impact of increases in freight on passenger services and non-unitised freight.

171. The Minister for Economy, Science and Transport told the Committee that the Government has a group looking at ways of maximising freight transport in Wales.⁶⁴

172. We accept that the short term ‘wins’ in terms of transport connectivity to ports will come from road investment. However, we believe the long-term benefits of investment in rail cannot be ignored, not least in terms of potential environmental benefits from reduced emissions and reductions in road traffic if significant volumes of freight can be moved to rail.

173. We note that the EU Trans European Transport Network (TEN-T) Regulation requires both the North and South Wales Mainlines to be electrified by 2030. The Welsh Government is currently leading the

⁶³ Mostyn Port written evidence

⁶⁴ Para 134, 15 October 2015

development of the business case for modernisation of the North Wales Mainline for submission to the UK Department for Transport. We believe it would be remiss if issues such as capacity and upgrading to W10 gauge or better and intermodal freight facilities at appropriate locations were not considered in developing modernisation proposals to 'futureproof' Welsh rail infrastructure given the additional cost of a further upgrade at a later date.

The development of a Welsh Port Policy

174. The expected devolution of powers in relation to ports should provide opportunities to improve and better co-ordinate port planning and development, and to streamline these processes with the marine licensing and consenting regimes while protecting environmental interests. Devolution should also support integration of ports into wider strategies for economic growth and transport.

175. The Welsh Government's National Transport Finance Plan includes two port related interventions, both for delivery by 2016-17. The plan commits Welsh Government to "Develop a memorandum of understanding with the Ports Sector in Wales setting out how the Welsh Government and ports sector will work together", and "to develop a ports strategy".⁶⁵

176. The Minister for Economy, Science and Transport's evidence highlighted the opportunities resulting from devolution:

"The further devolution of powers in relation to Ports will allow Wales to maximise and streamline maritime economic opportunities by connecting policy and support for Welsh ports with existing, and future, devolved responsibilities and plans, for example on energy. We also expect to have responsibility for Harbour Orders devolved under the Wales Bill, enabling us to consider how we can improve the order process for ports to help them secure opportunities."⁶⁶

⁶⁵ Welsh Government, National Transport Finance Plan, 2015

⁶⁶ Welsh Government written evidence

177. The Minister told us that the role of Welsh ports in supporting the wider maritime economy in order to maximise economic growth and jobs in Wales will be “an integral part of a ports strategy for Wales.”⁶⁷

178. Current UK Government ports policy is one of non-intervention. Ports in the UK run as commercial enterprises. Milford Haven Port explained how UK Government port policy currently operates:

“...that policy is very orientated around the fact that there is a mixture of ports—private and other sorts of ports. What they need to do they fund privately and they compete with each other, and policy is about maintaining a level playing field and about supporting ports investment plans, as and when they come forward. And I think that is the environment that we thrive best in and would like to see continue.”⁶⁸

179. None of the evidence which we heard argued explicitly for a move to an interventionist ports policy for Wales. It also suggested unease about the risk that Welsh ports might be competitively disadvantaged from any more interventionist approach.

180. However, respondents and witnesses did see benefits from devolution in integrating and aligning port development with wider policy areas. Neath Port Talbot Council recognised that devolution could enable Welsh Government to “improve the cohesion between local transport planning and port development” and they called for a “distinct Welsh policy [to be] created for the economic development of this sector.”⁶⁹

181. Similarly, Swansea Council suggested:

“Devolution will enable port developments to be integrated with other transport infrastructure strategies and economic development functions which are already devolved.”⁷⁰

182. ABP called on the Welsh Government to “Ensure that policy and legislation do not result in a loss of competitiveness with other UK or international ports”.⁷¹ Irish Ferries stressed the need “to ensure that a

⁶⁷ *ibid*

⁶⁸ Paragraph 8, 7 July 2015

⁶⁹ Neath Port Talbot written evidence

⁷⁰ City and County of Swansea written evidence

⁷¹ Associated British Ports written evidence

‘level playing field’ be maintained, so that trade and business development in Welsh ports is not at a disadvantage to other UK ports.”⁷²

183. The Welsh Ports Group has listed a number of policy issues which it sees as vital to the economic development of ports. This is typical of the evidence we received from ports:

- The existing policies and market-led approach to ports policy which the Department for Transport currently supports, whereby there is no strategic or financial intervention from government, particularly on issues that might distort competition between ports;
- Continued recognition for the existing rights and obligations of ports maintaining the competitive position of the Welsh ports industry broadly in line with ports in other parts of the UK and beyond;
- An adequately staffed and resourced team of officials at the Welsh Government to engage with ports and also to facilitate Harbour Orders and Byelaws casework;
- A joined up approach to port consents across the relevant bodies in Wales to help speed up the planning process.⁷³

184. The issue of planning and consent decisions and Harbour Orders was raised by all of the port and ferry companies which responded. Associated British Ports (ABP) said:

“A suitably resourced, responsive, efficient, streamlined and consistent land and marine planning process, which balances the need for development with that of the environment and local public interest, is vital to realising the potential benefit of the maritime economy in Wales. Providing a level playing field for planning when compared with other planning regimes is also crucial.”⁷⁴

⁷² Irish Ferries written evidence

⁷³ Welsh Ports Group written evidence

⁷⁴ Associated British Ports written evidence

185. We also heard evidence suggesting there is a need for greater engagement from Welsh Government to ensure ports are able to take advantage of opportunities available. Mostyn Port told us:

“...coming back to the renewable energy sector, it has been really the driver of our business for the past 12 years, but we get very little correspondence or communication from the Welsh Government, despite them having people responsible solely for renewable energy, or even an energy department. A classic example is Wylfa. If I want to try and find somebody who I know has responsibility solely for Wylfa, it’s almost impossible to find them. It stems from, I have to say, the north Wales office.”⁷⁵

186. While Irish Ports are publicly owned, they operate commercially as limited companies wholly owned by the Irish Government. The Irish Maritime Development Office said that in its view the ownership model is less important than the freedom to respond to market conditions. We heard how marginal changes in efficiency in the ports sector can have a big effect on trade, job creation and the wider economy, a theme that was also reflected in evidence from Wales.

187. The evidence we received shows that the Welsh Ports that participated in this inquiry are effective in responding to market changes, seeking opportunities to diversify and are engaging with national and local economies.

188. We note evidence from the Welsh Ports Group that there should be “no strategic or financial intervention from government”. We agree that while ports continue to recognise they serve a wider economic function beyond their own business, the role of Welsh Government ports policy should be to support not lead port development. It should also remove obstacles to development by, for example, streamlining the planning and licensing process.

189. However, we also note that ports themselves have identified areas where support with investment might be helpful, for example in cruise infrastructure. We also note calls from ABP for Welsh Government to assist ports in identifying and accessing funding opportunities. We therefore believe that there is a role for Welsh Government in

⁷⁵ Para 77, 9 July 2015

supporting ports in securing investment, and potentially in providing that investment where ports themselves consider it necessary.

190. Holyhead Port's evidence told us how port master planning helped it to appreciate its wider economic role. This chimes with evidence from Ireland, particularly where master plans align with EU policy. We note that the UK Government provides guidance on port master planning. We believe Welsh Government should work with ports to ensure that master plans reflect the particular circumstances of Wales.

191. While the timetable for devolution of ports policy is within the remit of the UK Government, we believe there is a need to move quickly to engage with ports to develop Welsh policies. Above all we recognise that there are concerns about devolution and that uncertainty may be damaging. Ports will need early and clear indications of Welsh Government's intentions on ports policy.

192. There is an urgent need to speed up and streamline the port planning and licensing regime. From a planning perspective, the Draft Wales Bill, if enacted, would take harbours in Wales out of the Development Consent Regime where decisions are made by the UK Secretary of State. We are aware that the Welsh Government is currently preparing to introduce a new category of 'Developments of National Significance' under the Planning (Wales) Act 2015. This process will speed up applications as decisions will be taken within a set timescale; consideration should be given to including Welsh ports as Developments of National Significance.

193. Finally, as with all newly devolved policy areas, Welsh Government must ensure it has the skills and resources to deliver its new functions, and improvements to planning and licensing arrangements.

Recommendations

We recommend that the Welsh Government:

Review Enterprise Zone policy in the light of planned devolution of ports policy. In particular the review should consider whether the sector approach is appropriate to those zones which include ports, given the scope of the opportunities within the maritime economy. This review should also consider whether further Enterprise Zones are required to support port development.

Develop appropriate and effective road projects to improve traffic flow on the A55 and A40 given the risks to ports from marginal changes in efficiency.

Work with relevant ports and other local stakeholders as well as Network Rail and the Department for Transport to consider how rail modernisation schemes in Wales can make possible potential future development of rail freight serving Welsh ports.

Act decisively in the event of devolution of port planning powers to streamline and speed up the port planning process, and to integrate it with an effective and suitably resourced marine licensing and consenting process to provide early decisions on development applications. Enhancements to major devolved Welsh ports should be considered for inclusion as Developments of National Significance under the Planning (Wales) Act 2015.

Engage with Welsh ports and the Welsh Ports Group to clarify the scope of a future Welsh Ports strategy and how this will be developed to provide reassurance to the sector.

Develop a Welsh Ports Policy which:

- Provides a clear vision for Welsh ports and strategic leadership which supports ports to achieve their goals;**
- Clearly identifies where additional support is required, for example in identifying and delivering infrastructure or services which have wider economic benefit but generate a limited direct return to ports themselves;**

- **Aligns with EU blue growth and transport policies to facilitate engagement with the EU and support applications for EU funding;**
- **Encourages development and implementation of port master plans which reflect the wider role of ports in maritime economy, and the local economy in general;**
- **Includes an assessment of the competitiveness of Welsh ports;**
- **Integrates ports into key Welsh policies particularly on the development of the maritime economy, transport policy, environment & planning policy and wider policies supporting economic growth.**

6. Research and Skills agenda

194. Throughout the inquiry we saw evidence of good work underway in Wales in research and development, and in addressing the skills and future training needs of the maritime industries.

Ensuring Wales has the necessary skills

195. Neath Port Talbot Council called for the Welsh Government to financially support the set-up of Research and Development, training and manufacturing centres of excellence for marine renewable energy.

“Skills & Training present a further opportunity for businesses, as this sector and projects develop, skilled people will be required pre, during and post completion.”⁷⁶

196. Anglesey Council stated that the maritime sector faces challenges related to, “...skills and training, preconceptions of the attractiveness of maritime careers, recruitment, displacement and wage inflation and the image of the sector...” and that “a coordinated strategy to deal with the identified issues can assist in overcoming these.”⁷⁷

197. The Committee heard from Tidal Lagoon Power that work has already started in this area.

“We are working with the independent Tidal Lagoon Industry Advisory Group and their Skills and Training subgroup to identify and develop strategies to respond to the challenge of maximising skills and training opportunities generated by tidal lagoon projects. The Welsh Government is also supporting this work through commission of labour market studies to help inform the labour demand, the potential supply of labour, analysis of skills gaps and identify potential interventions required (in the short and longer term) to realise the employment opportunity for Wales. Whereas there will be immediate skills needs to deliver the Tidal Lagoon Swansea Bay project, the demand to supply the industry will be ongoing, which is why education programs are also important.”⁷⁸

⁷⁶ Neath Port Talbot County Borough Council written evidence

⁷⁷ Isle of Anglesey County Council written evidence

⁷⁸ Tidal Lagoon Power written evidence

198. We welcome these joint initiatives between industry and Government. They reinforce some of our previous recommendations which highlighted the need for greater numbers of, and more diverse, apprenticeships to be offered.⁷⁹

199. CITB Cymru is also involved in this work with Tidal Lagoon Power and the Welsh Government. In their evidence they noted a projected need for around 5% of the current construction workforce in Wales to deliver marine energy projects over the next five years.

“...the committee should consider the delivery of an appropriately skilled construction workforce as a pre-requisite of success for the maritime economy, particularly around developments associated with the Swansea Bay Tidal Lagoon and the Energy Island Programme on Anglesey.”⁸⁰

200. The ports of Mostyn and Milford Haven told the Committee that the training they require takes place on the job. Their representatives said that there is no substitute for on the job training and Wales is suffering from a shortage of skilled seafarers. They told the Committee that it is a global industry and Wales does not provide enough incentive for skilled seafarers to remain in the country.⁸¹

201. Dr Ian Masters from Swansea University emphasised the importance of placing the marine energy sector within the energy sector as a whole. He said the skills needs of the energy sector are “very well known”:

“...they’re the same skills that you might need to do any other energy project; it just happens to be wet.”⁸²

202. He noted that this was not generally well understood but highlighted the work of Marine Energy Pembrokeshire and Energy Island Anglesey in trying to address this in their own communities.

203. Dr Masters said there is a need for more engineering graduates for the energy sector as a whole, including the marine sector. He talked about the work his department in Swansea University is doing to

⁷⁹ Enterprise and Business Committee Report on Assisting Young People into Work, May 2015

⁸⁰ Construction Industry Training Board Cymru written evidence

⁸¹ Para 65, 9 July 2015

⁸² Para 264, 15 October 2015

promote engineering in schools to “try and encourage youngsters into science and engineering.”

204. This is very much in line with our previous work on STEM subjects, where there is clear recognition across Wales and by Welsh Government of the need to address the current shortfall in take up of STEM subjects in schools, further and higher education.

205. In the evidence provided by Bangor University we heard that:

“Wales is a world leader in marine science research and has a strong track record in collaborative applied marine science.”⁸³

206. Dr Masters also told us that the work in Wales is “excellent” and the quality of the work of his research centre “is up there with the rest of the world”.

207. He emphasised that the marine research is embedded within the wider engineering department in Swansea, and that this would benefit from the new second campus investment, with access to new and better facilities.

208. However, he also underlined the need for further investment in research capacity for the marine research sector in Wales. He noted that Edinburgh University’s marine research group probably has more research capacity in this area than exists in the whole of Wales.

209. The Committee heard from the Chief Scientific Adviser to the Welsh Government, Professor Julie Williams in November that lack of capacity in research is a problem facing the Welsh HE sector as a whole, with an estimated shortfall of around 650 full time equivalent researchers in Wales.⁸⁴

210. The opportunities presented by marine renewable technology development and installation need to be capitalised on to ensure that the skills gap is met from within Wales. We welcome the work that has been undertaken to date by the Welsh Government and Tidal Lagoon Power to map the supply and demand for skills for the tidal lagoon development in Swansea. This exercise must be built on. We urge the Welsh Government to take a more structured approach to mapping

⁸³ SEACAMS Bangor University written evidence

⁸⁴ Para 14, 25 November 2015

skills needs; one that encompasses the whole of the maritime economy. We also recommend that a skills needs assessment is carried out with Higher and Further education institutions and the CITB to ensure education providers are able to meet the demands of the maritime industries.

211. We heard during our visit to Dublin how the Irish Government is looking at the whole supply chain, including professional occupations such as specialist lawyers, consultants and financiers in the maritime economy, as part of its ambition to become a global leader in ocean energy and related sectors in the future. We need to take an equally broad approach in Wales to the skills needs of this sector.

Recommendations

The Welsh Government should:

Prioritise increased investment in marine research capacity, including discussions with the EU Funding Ambassadors in conjunction with Welsh HE on how EU and other funding could be used to support this. This should include exploring potential for developing a COFUND bid covering marine research.

Ask EU Funding Ambassadors to look at opportunities from EU funding programmes to support this agenda, including (not exclusively) Erasmus+, Horizon 2020, ESF, and the Territorial Co-operation Programmes.

Review the support for marine energy and wider maritime economy in Welsh Government's Brussels office and explore how this could be strengthened through a partnership between its own team, Welsh HE and WLGA offices.

Carry out a mapping exercise looking at the future skills and training needs of the maritime economy and a review of the existing training provision within Higher and Further Education in Wales to support these future needs. This should take into account existing work undertaken looking at the skills needs of the marine energy sector.

7. EU engagement and EU funding opportunities

Introduction

212. During our visit to Brussels and Luxembourg in June we focused in particular on the opportunities for support from the EIB, as we have already undertaken considerable work in previous inquiries on the various EU funding programmes available for 2014-2020.

213. We visited the EIB headquarters in Luxembourg and held discussions with a cross-section of experts from teams responsible for renewable energy, transport, research, EU structural funds investments, and the European Fund for Strategic Investment (EFSI), which is part of the Investment Plan for Europe.

214. The EIB has been tasked with managing EFSI, which is additional to existing EIB support operations. EFSI is intended to focus on riskier investments than would normally be supported.

215. This focus on high risk projects should make marine energy projects a prime candidate given the early stage of development of this sector. We heard from the Welsh Government about a number of project ideas it has submitted – through the UK Government – to a project pipeline for EFSI. This includes the Anglesey Energy Island and Swansea Bay Tidal Lagoon initiatives and A55 Capacity and Resilience Enhancements.

EU Transport Policy and Funding

216. In our *EU funding opportunities 2014-2020*, we considered EU TEN-T policy, and opportunities to access EU Connecting Europe Facility (CEF) funding.

217. In that report we expressed concern that Welsh Government had submitted no funding applications in its own right for TEN-T funding during the 2007-13 funding period. We also considered the implications of the fact that Wales is not included in the TEN-T corridor network, and expressed disappointment that Holyhead Port is not included in the TEN-T core network, although it is a comprehensive network port.

218. CEF is the key EU financial contribution to development of the TEN-T network. The first project call for CEF funding closed in February 2015. This call allocated over €13bn, representing more than half of the total CEF funding for which Wales is eligible to apply. While the Welsh Government submitted bids for CEF funding in this first round it was unsuccessful.

219. In Ireland we heard how Irish ports were extremely successful in bids to the first CEF round. The three largest Irish ports each received CEF funding worth nearly €40m, while Dublin Port also received €100m of EIB funding.

220. It was clear from meetings with the Irish Minister for Transport Tourism and Sport and Dublin Port that there are a number of factors behind Ireland's relative success, and Dublin Port in particular identified the following factors as key to success:

- **Developing a project pipeline:** Dublin Port's Alexandra Basin Redevelopment Project, which secured significant funding, was developed over five years;
- **Engagement with the European Commission:** Dublin Port emphasised the need for ports and Ministers to participate in TEN-T stakeholder events such as "TEN-T days" and the need to "learn the language" of the EU programmes. Applications were supported by the Minister who engaged actively with the European Commission.
- **Seek funding for studies first:** funding for studies lays the ground for later applications for works funding.
- **Create links between EU and national policy:** both the Irish National Ports Policy and the Dublin Port master plan make reference to, and align with, EU policy demonstrating how EU investment might add value to TEN-T network.

Motorways of the sea and other opportunities for Wales

221. In our *EU Funding Opportunities 2014-20* inquiry we identified opportunities for Wales to secure CEF funding, particularly via Motorways of the Sea (MoS), a "horizontal priority" to support investment in port infrastructure and improved connectivity between ports. MoS can also fund transport connections to ports.

222. Our recommendations highlighted the need to develop close working relationships with the relevant EU bodies and institutions. We also recommended the Welsh Government should:

Work with Welsh stakeholders, Department for Transport and core ports in other Member States, particularly Ireland, to raise awareness of opportunities and develop a pipeline of appropriate projects.⁸⁵

223. However, in this inquiry we heard evidence from Welsh Ports suggesting they have misunderstood MoS. Milford Haven Port said:

“I think.....where routes have started between two ports, supported by the motorways of the sea programme, they’ve lasted for as long as the funding has been around and then they tend to sort of disappear again.....I’ve always thought the motorways of the sea constituted a great opportunity, but you’ve still got to get market operators prepared to take the risk of starting a service to exploit it, and that’s really the challenge.”⁸⁶

224. Similarly, Holyhead Port told us:

“I’d just say that we’ve looked at it as a company and ... every example we can see fails once the subsidy stops, and I think it’s going to get harder because, looking at the tonnage market for these vessels, the tonnage market now is going up. The price of them is going up.”⁸⁷

225. This suggests that these ports’ view MoS projects as a means of providing a start-up subsidy for new routes between ports, as opposed to an opportunity to secure funding for port infrastructure and hinterland transport connections.

226. Evidence from the Welsh Government outlined the steps it is taking to access CEF funding:

“We are continuing to explore opportunities to bid for EU funding for Trans-European Transport Network (TEN-T) projects

⁸⁵ Enterprise and Business Committee, [EU Funding Opportunities 2014-20 \[PDF\]](#) Recommendation 16, page 45

⁸⁶ Para 145, 9 July 2015

⁸⁷ Para 148, 9 July 2015

for ports related developments, including under the ‘Motorways of the Sea’ funding stream which can encompass hinterland connections.”⁸⁸

227. It referred to advice from the European Co-ordinator for the North-Sea Mediterranean TEN-T Corridor, reflecting our own 2014 recommendation that Wales should “work in partnership with Ireland and other parts of the UK”. It also indicated that it is “exploring the scope for joint projects with Ireland” as well as Transport for the North and the Northern Powerhouse concept in England.

228. However, during our visit to Ireland both Dublin Port and the Irish Government told us that engagement with Wales to date had been limited, though clear opportunities to collaborate exist, particularly for MoS projects. Indeed the Irish Government told us that our work might facilitate contact and collaboration with the Welsh Government which has been lacking to date. Dublin Port told us that it had met with the European Commission’s MoS Co-ordinator and discussed significant opportunities from the priority.

229. We wrote to the Minister for Economy, Science and Transport during evidence gathering to make her aware of these opportunities. The Minister replied:

“I wrote to Minister Donohoe last year about exploring joint ‘Motorways of the Sea’ projects, including hinterland connections with our ports. Officials have been following up with counterparts in the Irish Government and the British-Irish Chamber of Commerce.

“We would also be happy to engage directly with the Port of Dublin.”⁸⁹

230. We also heard wider evidence that ports and other stakeholders would welcome greater support from Welsh Government. ABP said:

“Early consultation and engagement with key industry groups, port companies, importers and exporters and shipping lines/agents as to where opportunities for business growth and

⁸⁸ Welsh Government written evidence

⁸⁹ Letter from the Minister for Economy, Science and Transport to the Chair of the Enterprise and Business Committee, 10 November 2015

inward investment may lie is essential in ensuring Wales maximises its potential. ABP would be very keen to engage with specialist Welsh Government officers with a good technical understanding of the various local, national and EU based support schemes to support opportunities in south Wales.”⁹⁰

231. Similarly, Neath Port Talbot County Borough Council said there was a role for the Welsh Government in working with port owners/operators and local authorities to bring together joint bids for funding and match-funding with other European ports.⁹¹

232. We welcome evidence from the Welsh Government suggesting it is exploring opportunities from CEF and MoS, and particularly the fact that the Minister has hosted a visit from the North Sea-Mediterranean Corridor Co-ordinator.

233. However, we are very disappointed that greater, more concrete, progress has not been made in the 18 months since our report was published. We believe the apparent lack of understanding among some Welsh ports of the opportunities arising from MoS is a real cause for concern given the time involved in developing projects, and the fact that more than half of the CEF funding for which Wales could be eligible has already been allocated. This is precisely the issue that our July 2014 report recommendations were intended to address.

234. It is clear to us that much greater and more proactive effort is required by the Welsh Government if Wales is to benefit from the opportunity presented by CEF funding.

EU funding and research

235. We heard of the excellent work achieved with structural funding in Wales – SEACAMS (Sustainable Expansion of the Applied Coastal and Marine Sectors), a partnership between Bangor, Aberystwyth and Swansea Universities, is an example of best practice in higher education working directly with industry to provide the scientific knowledge needed to reduce the risks for investors. This collaborative working means that SEACAMS will have attracted about £10m of

⁹⁰ Associated British Ports written evidence

⁹¹ Neath Port Talbot County Borough Council written evidence

investment into the convergence region of Wales in its five year lifespan.⁹²

236. Professor Colin Jago of Bangor University stated that the funding decision on the second phase of this project – SEACAMS II was currently with the Welsh European Funding Office and there were concerns that if it was delayed then the expertise which has been built up may be lost to other countries as skilled researchers look elsewhere.⁹³

237. We were very concerned to hear of these delays given the overwhelmingly positive feedback on the original SEACAMS project.

238. With regard to marine data gathering and analysis Tidal Lagoon Power in its evidence stated that there are:

“Gaps in the marine evidence base, which should be addressed through focused investment in collaborative industry focused research projects.”⁹⁴

239. We also heard from Swansea University that there is a need to support earlier stage technology to grow an innovation pipeline.

“Helping Welsh universities to build and maintain innovation capacity to support technology R&D will naturally lead to further collaborations with marine energy companies who are looking to deploy their technologies in Welsh waters.”⁹⁵

240. We saw less evidence of strong participation from Welsh HE in marine energy and marine research calls under Horizon 2020 – the EU’s research and innovation programme.

241. This contrasts with Ireland where we saw evidence of significant investments in R&D capacity, including through the Marine Institute Ireland. Ireland has ambitious targets for Horizon 2020 as a whole and its draw down in the first calls is impressive. An overall target of €1.2bn from Horizon 2020 and for the 2014 calls over €120m EU funding secured already.

⁹² SEACAMS written evidence (paragraph 2.1)

⁹³ SEACAMS written evidence

⁹⁴ Tidal Lagoon Power written evidence

⁹⁵ Swansea University written evidence

A more active role for the Welsh Government

242. Much of the evidence repeated calls in our *EU Funding Opportunities 2014-2020* and *Horizon 2020* inquiries for more awareness raising, targeted and specialist support for businesses, particularly SMEs, to encourage and facilitate their participation in funding programmes.

243. This was a sentiment supported by Tidal Lagoon Power:

“The Welsh Government could consider setting up a support network for the private sector, to enable access to expert knowledge of EU funding, and to build capability in the private sector to improve the quality of funding bids. Targeted awareness initiatives could help encourage private sector funding applications in priority ‘Blue growth’ sector to realise the most economic value from funding opportunities.”⁹⁶

244. There was a recognition that the complex administration process for securing funding was off-putting for many businesses, in particular SMEs. Marine Energy Pembrokeshire told us:

“Welsh Government could provide overarching support, particularly to SME’s in identifying and ensuring project fit, partners and maximum impact. Large funding programmes are often more suited to larger organisations and academic institutions who have specialised teams to deal with the often complex applications.”⁹⁷

245. In her evidence to the Committee, the Minister for Economy, Science and Technology acknowledged that “we need to do more to help companies to look at where they could get funding from.”⁹⁸

246. This theme, the need for more specialist one-to-one support has been picked up by the Welsh Government’s EU Funding Ambassadors as we heard in our update session with them on 23 September 2015, and we would expect them to address this issue with the Minister.

⁹⁶ Tidal Lagoon Power written evidence

⁹⁷ Marine Energy Pembrokeshire written evidence

⁹⁸ Para 97, 15 October 2015

Recommendations

The Welsh Government should:

Provide an update to the Assembly on progress in the list of potential projects identified for support from EFSI.

Engage much more proactively with EU institutions and other relevant stakeholders to build the relationships necessary to benefit from CEF and other potential sources of EU funding for transport. This should include Ministerial participation in stakeholder events such as TEN-T Days.

Engage as a matter of urgency with the UK Government, Irish Government, Irish ports, Welsh ports, relevant Welsh stakeholders and the EU Commission to develop proposals for EU Transport Funding, particularly Motorways of the Sea projects. In particular, we believe Welsh Government should convene a conference to allow stakeholders, particularly Welsh ports, to understand the EU funding opportunities and consider a way forward.

Provide ports with the support they need to access EU and other funding sources. The Welsh Government may need to review whether its staff have the correct skills and training to do this.

Task the WEFO Horizon 2020 unit with addressing the call from SMEs for specialist one-to-one advice and support in accessing opportunities from EU funding programmes.

Annex A – Terms of Reference

Inquiry into the Potential of the Maritime Economy in Wales

Terms of Reference

- Look at opportunities to develop the Maritime Economy in Wales focusing in particular the potential of Wales from marine/ocean energy.
- Look at the role and importance of Welsh ports/ferry operators and connectivity to Ireland, and the risks/threats to this in the context of TEN-T/North Sea-Mediterranean Corridor.
- Look at the priority given to developing the Maritime Economy by the Welsh Government in particular the opportunities from marine/Ocean Energy.

Annex B – List of written evidence

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at:

<http://www.senedd.assembly.wales/mgConsultationDisplay.aspx?ID=182>

Anglesey County Council
Anglesey Energy Island
Associated British Ports
City and County of Swansea
Construction Industry Training Board
European Marine Energy Centre
Flintshire County Council
Irish Exporters Association
Marine Energy Pembrokeshire
Neath Port Talbot County Borough Council
Pontardawe and Swansea Angling Society Ltd / Afan Valley Angling Club
Port of Milford Haven
Port of Mostyn
Welsh Port Group, British Ports Association
Irish Ferries Limited
Rail Freight Group
Rhodri Glyn Thomas, Opinion Paper for Council of the Regions
RenewableUK
SEACAMS Bangor University
Severn Tidal
Swansea University
Tidal Lagoon Power
Wales Environment Link
Welsh Government

Annex C – Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at:

<http://www.senedd.assembly.wales/mgIssueHistoryHome.aspx?IId=1307>

Date	Name
24 June	Jacoppo Moccia, Policy and Operations Director, Ocean Energy Europe
9 July	<ul style="list-style-type: none"> • Alec Don, Chief Executive, Milford Haven Port • Jim O’Toole, Managing Director, Port of Mostyn • Paddy Walsh, UK Ports Manager, Irish Ferries • Captain Ian Davies, Route Manager for Stena Line, Irish Sea South • Professor Colin Jago, Dean of College, School of Ocean Sciences, Bangor University • Ieuan Wyn Jones, Executive Director, Menai Science Park
17 September	Rhodri Glyn Thomas AM in his capacity as rapporteur for the Committee of the Regions on ‘Developing the Potential of Ocean Energy’
1 October	<ul style="list-style-type: none"> • Paschal Donoghue TD, Irish Minister for Transport, Tourism and Sport • Simon Coveney TD, Irish Minister for Agriculture, Food and the Marine • Bernie Comey, Department of Communication, Energy and Natural Resources • Brendan Cahill, Sustainable Energy Authority Ireland • Peter Coyle, Marine Renewables Industry Association • Michael Sheary and Eamonn O’Reilly, Dublin Port • Niall Stobie and Howard Knott, Irish Exporters Association • Liam Lacey and Rebecca Wardell, Irish Maritime Development Office, Marine Institute Ireland • Amaya Vega, Director, NUI Galway Ryan Institute for Environment, Marine and Energy Research

Date	Name
15 October	<ul style="list-style-type: none"> • David Jones, Marine Energy Pembrokeshire • Graham Hillier and Ioan Jenkins, Tidal Lagoon Power • Edwina Hart AM, Minister for Economy, Science and Transport, Welsh Government • Rhodri Griffiths, Head of Transport Policy, Planning and Partnerships • Phillip Holmes, Head of Economic Regeneration and Planning, City and County of Swansea • Gareth Nutt, Director of Environment, Neath Port Talbot CBC • Dr Ian Masters, Swansea University

The Committee also discussed EU funding for investment in the maritime economy on 19 March 2015 with Matthew King, Head of Maritime Policy Atlantic, Outermost Regions and Arctic, and Cristina Amil López, Policy Officer, from the European Commission's DG Maritime Affairs and Fisheries.
