

Wylfa Newydd

THIS PAPER SHOULD BE WITHHELD FROM PUBLICATION AS IT RELATES TO THE FOLLOWING EXEMPTIONS UNDER THE FREEDOM OF INFORMATION ACT 2000: Section 28 (relations within the UK), Section 29 (the economy), Section 35 (Government policy), Section 36 (effective conduct of public affairs), Section 41 (information provided in confidence) and Section 43 (commercial interests). IT ALSO RELATES TO THE FOLLOWING EXCEPTIONS UNDER THE ENVIRONMENTAL INFORMATION REGULATIONS 2000: Section 12(4)(e) (internal communications).

This paper is timed to correspond with Horizon Nuclear Power's (HNP) project milestone of submitting a Development Consent Order (DCO) application for their proposals at the end of March. The UK Planning Inspectorate (PINS) will subsequently set a date for the Welsh Government to provide them with a first draft Statement of Common Ground (SoCG), before the examination commences in September. This paper outlines the key decisions required from Cabinet to enable us, on a cross Government basis, to robustly engage with this process over the next 18 months.

1. Background

- 1.1. Horizon Nuclear Power (HNP) are on track to submit their Development Consent Order (DCO) application at the end of March. The UK Planning Inspectorate (PINS) will subsequently set a date for the Welsh Government to provide them with a first draft Statement of Common Ground (SoCG), before the examination commences in September. Our ability to exert any influence during these negotiations will diminish from the point of DCO submission and over the next 18 months. The DCO submission date starts a phase where negotiation needs happen for the DCO and on wider matters, relating to the legacy that can be secured from the project. The negotiation process will need to proceed at a heightened and significant pace from this point onwards. Consequently, I recommend in this paper that we need to agree specific working arrangements to service the negotiation in the window available and at the pace required.
- 1.2. I wish to reiterate that our engagement with the DCO process and SoCG is principally centred on impact mitigation. Success in the DCO process would see all impacts mitigated by the developer with none of the costs being borne by the Welsh purse. In order to secure our wider aim of delivering a lasting legacy for Wales, it is necessary for the Welsh Government to pursue action and agreements outside and separate to the DCO process. This will require robust negotiations with HNP, UK Government and other key stakeholders over the next 18 months. If we are to leverage commitments from others and secure wider legacy benefits as directed by the Economic Action Plan, our negotiations must be underpinned by a core suite of principles and a certainty on what pump priming activity we will undertake and when.
- 1.3. Good progress has been made since the last Cabinet paper to further refine our position on the DCO process, the process outside of the DCO and on the overarching principles that should guide all our negotiations. I am asking you to note this progress and agree that this refined position sets the parameters for

our work over the next 18 months. I believe that because of our diminishing leverage over the next 18 months, it is within our best interests to deploy a proactive stance immediately following the DCO submission. We need be on the front foot in clearly communicating our position and ambitions for the project and our expectations of others. I therefore seek your agreement that on a whole of Government basis we adopt a far more visible, proactive and muscular approach to negotiations after March 2018.

2. Overarching Negotiation Principles.

2.1. Building on our agreement in the last Cabinet paper, I consider that our core principles underpinning all negotiations over the next 18 months are as follows:

- Wales should have clear benefits from hosting this facility, above and beyond any mitigation that should be secured through the planning process.
- Welsh Government is not to pay for anything that should be paid for by the private sector or UK Government.
- UK Government must consider the Welsh position at all times and specifically the benefits to be provided to Wales throughout their wider negotiations on the project, including project financing.
- That any support for the UK nuclear sector includes provisions for Wales.
- Welsh Government will invest in areas that bring additional benefits to Wales.
- Presumption in favour of permanent buildings and infrastructure where appropriate.
- Alignment with and contribution towards Welsh Government policies in particular the Welsh language, decarbonisation, and the Wellbeing of Future Generations (Wales) Act 2015 (WBFGA).
- Mitigation is provided where impacts occur, recognising that impacts will have a wider reach than the host locality.

2.2 These core principles are already guiding engagement with key stakeholders and have informed recent meetings that the Permanent Secretary and Director General for Economy, Skills and Natural Resources (ESNR) have had with their counterparts in the Department for Business, Energy and Industrial Strategy. It is clear that far closer engagement and better information flow is required from the UK Government to the Welsh Government on the project and I seek your support in pursuing this at every opportunity.

3. DCO process and SoCG

3.1 Good progress is being made on the SOCG. We have defined the focus for discussion with Horizon and are currently working through the detail of how we expect them to mitigate impacts. It should be noted that for some thematic

areas, discussions are yet happen as HNP are finalising application documents for submission at the end of March. A more detailed appraisal of the progress of SoCG discussions against the Welsh Government's Negotiation Strategy document, approved by Cabinet in January, together with the actions required to move us closer to meeting mitigation objectives, is contained in Annex 1.

3.2 A summary of the current position is set out below:

Health impact mitigation

HNP has now committed to providing certain on site medical facilities for all their workforce. However, further discussion is required with Betsi Cadwaladr University Health Board about what is provided on site, how it is delivered and how HNP propose to meet the healthcare needs of its workers in regards to secondary care, dentistry and prescriptions and the referral processes. Agreement will also be needed in relation to healthcare needs of dependents. Further work is also needed on impact on health and social care workforce.

Housing impact mitigation

HNP have now agreed with Welsh Government that they will be providing a Housing Fund to deliver new homes and to bring empty homes back into use. Discussions are required on a Team Wales basis to determine the spatial impacts on housing in order to inform the amount of money that will need to be secured in the Housing Fund.

In addition, further discussions will take place regarding contingency funding and monitoring and managing impacts on the housing sector.

Welsh Language mitigation.

Focus of mitigation and enhancement measures reflects the Welsh Government strategy "*A million Welsh Speakers by 2050*". It is agreed that the Welsh Language Impact Assessment (WLIA) gives appropriate consideration to adopted national and local language strategies.

Horizon will establish an external stakeholder group (which will include Welsh Government officials), chaired by the Welsh Language and Cultural Co-ordinator to oversee, implement and monitor the Welsh Language mitigation strategy.

Investment in Skills provision

A construction training contribution will be provided through the S106 agreement. A training and skills sub group will be established to agree how the fund should be apportioned to deliver a training strategy (further discussion is required on the amount).

This training and skills sub group will include Isle of Anglesey County Council (IoACC), the Welsh Government and education providers.

Investment in Supply Chain Development

It is agreed that a Supply Chain Service (including the provision of a supply chain portal) will be implemented based on the development of a supply chain action plan to enable local and wider Welsh businesses to access the opportunities available through the project. The Welsh Government will work with HNP to develop the Action Plan and will have an active role as part of the delivery and monitoring of the Service.

Appropriate Park and Ride facilities for workers

Horizon are aware of the alternative sites and in the event that they were available before the end of the DCO examination, their role as part of the wider transport strategy can be considered, together with any potential amendments to the DCO.

Cross cutting issue of displacement

We have instructed external technical advisors to consider the cross economy displacement effects and, as necessary, mitigations of HNP's proposals. This detailed work will inform our approach going forwards including our expectations of others.

3.3 Leveraging the Welsh position within the DCO process

HNP's timescale for DCO submission has slipped by over 12 months. The UK Government has recently announced that a new draft National Policy Statement (NPS) for Nuclear will be published in the autumn. Because section 105 of the Planning Act 2008 will apply, the Welsh Government should have greater scope for arguing that matters other than EN-6 and EN-1 of the NPS should be given additional weight in the DCO process. These other matters, we would argue, should include our own planning policies (e.g. Planning Policy Wales, and Technical Advice Notes), which have been prepared in accordance with our duties under the WBFGA.

4. Timeline

4.1. A revised timeline is attached at Annex 2.

5. Our Collective Priorities and Progress Outside of the DCO process

5.1 Further to agreement in January, good progress has been made to clarify and refine our priorities and expectations of others outside the DCO process. This work has been progressed on a cross government basis by the Wylfa Newydd Programme Board and deliberations at challenge meetings with the

Permanent Secretary. I have now arrived at a far clearer and precise view of what the key legacy outcomes are for this project and of where our collective energies should be focused over the next 18 months. These include a third Menai Crossing, the development of the Port of Holyhead, Welsh supply chain company development, inward investment, skills development, modular housing manufacture and developing HNP as a Welsh company.

- 5.2 Our focus should now be on a suite of negotiations with several stakeholders to secure these key legacy outcomes and to make significant progress in confirming what pump priming activity the Welsh Government needs to progress. I firmly believe that our ability to leverage commitments from HNP, UK Government and others will in part depend on what the Welsh Government brings to the table and when. Looking ahead, our focus needs to be on securing significant traction in these three key areas:

- Securing Agreement with HNP outside of the DCO;
- Securing Agreement with UK Government. (possibly via Sector Deals, North Wales Growth Deal, etc.);
- Securing Welsh Government Investment and Pump Priming. Any Pump priming commitments will be the subject of separate MA briefings. The key areas that may be considered include supply chain development, skills, housing and infrastructure.

6. Negotiating Team

- 6.1 Cabinet agreed in January to the principle of establishing a Negotiation Team to drive negotiations with HNP, UK Government and other stakeholders. In light of the pace at which the DCO process will progress over the next 18 months, we need to adopt nimble working to effectively service the work. To this end, I am seeking your agreement that I lead the negotiations with stakeholders on your behalf and on a whole of Government basis. I will be supported by the Director General of ESNR who, as Senior Responsible Officer, chairs the Cross-Government Wylfa Newydd Programme Board. I will also require your officials to fully support and engage with me and my team as negotiations go forward.
- 6.2 I will report back on a regular basis to Cabinet and alert you if and when a revised view may be required.
- 6.3 Good progress has also been made to gather a more detailed view of lessons learnt from the from Hinkley Point C negotiation. This clearly directs me to suggest that if we are to have a successful negotiation on Wylfa Newydd, rapid progress needs to be made in a number of key areas. Namely, confirming the 'Team Wales' position, securing clarity on what the Welsh Government will deliver and the need to address the fact that business as usual expenditure and delivery will not be sufficiently ambitious to deliver against the First Minister's mandate.

7. New and Emerging Risks

7.1 These are:

- There is a risk a lack of engagement with the UK Government resulting in Wales missing out on financial and non-financial benefits that could be negotiated.
- There is a risk, amidst Brexit and other key pressing priorities that the Welsh Government will not progress direct delivery in a sufficiently timely way to unlock the benefits sought from the wider programme.
- There is a risk of confusion about the applicability of the legal requirements of the WBFGA in the context the Welsh Statutory Parties engagement in the DCO.
- There is a continued risk that stakeholders are not sufficiently aligned in the context of the DCO process.

8. Next Steps

8.1 The following key actions need to happen over the next six months:

- Workstream lead Directors for Economy, Transport and Infrastructure, Housing and Education and Skills to ensure MA briefings are developed, in agreement with the Negotiating Team, to obtain Cabinet Secretary approvals for identified budgets to deliver 'business as Usual' activities, before the end of April 2018.
- The Welsh Government to commence delivery of own agreed projects in early 2018, in Economy, Transport and Infrastructure (Port of Holyhead, 3rd Crossing, Sites and Premises), Housing and Education and Skills and where appropriate secure side agreements with HNP.
- Further refinement of our SoCG position recognising that it is an iterative process.
- Directors to appoint lead officials to review DCO application documents and to direct issues to DCO co-ordination team for inclusion in written representations, to meet the statutory timescales.
- Significantly and immediately heighten the level and frequency of proactive engagement with the key stakeholders that will enable us to deliver against our cross government priorities.
- Workstream lead Directors to continue to develop their evidence base, their funding proposals, their delivery plans and business cases all with close and proactive engagement with key stakeholders.

- On a whole Government basis, we adopt a far more visible, proactive approach to communications, stakeholder engagement and negotiations after March 2018.

9. Finance Requirements and Governance Implications

- 9.1. There are no immediate financial implications arising from consideration of this advice at this time.
- 9.2. The Directors in each portfolio area are leading the portfolio workstreams to ensure that the financial implications for the Welsh Government and value added interventions to secure the benefits for the WN project are fully assessed. This work will need to be taken forward in the light of the range of mitigations agreed as part of the planning process and the financial risk that could rest with the Welsh Government and other public sector partners. This work will support the business case and aim to identify the potential funding requirements and pressures. Should Cabinet endorse the approach set out in the paper, this activity will inform the in-depth financial advice underpinning Minister's consideration of the next stage.
- 9.3. The recent budget negotiations made it clear there are challenges to meeting existing commitments as resources fall year on year over the course of this Assembly term. In the context of the budget discussions, Cabinet has agreed to hold a lower level of in-year contingency and to retain only a modest amount of capital in reserves going forward. This does not take account of any budget provision for Wylfa Newydd.
- 9.4. At times of reducing budgets, there will of course be opportunity costs to investing or redirecting resources to support this programme, the impacts of which will need to be clearly understood.
- 9.5. The approach to the Welsh Government impact mitigation and negotiation strategy set out in the appendices to this paper identifies some suggested mitigating expectations of HNP, UK Government and other stakeholders. In the longer term, there are potential reputational and financial risks which may manifest if mitigations are not identified in a timely way, or any agreed actions are not delivered. Should this paper [and associated appendices] be endorsed by Cabinet, discussions will continue with key stakeholders to robustly quantify these risks and actions required.
- 9.6. Economy and Transport Corporate Finance has cleared the financial implications set out in this paragraph under number EI/CF/17/940. EPS Ops Team has cleared under number EPS/KS/2/18.
- 9.7. This paper has been considered by Strategic Budgeting and cleared under SB0400/5.

10. Research and / or Statistics

10.1. Not applicable.

11. Communications and publication

11.1. There are no immediate communications issues associated with this paper.

11.2. Once HNP have submitted their DCO application at the end of March, it will be necessary for the Welsh Government to consider how to undertake a more proactive communications approach, where appropriate to support our desired outcomes from the process.

11.3. The communications team are developing options to form part of a communications strategy.

Recommendation:

- **Cabinet to agree to that the Cabinet Secretary for Economy and Transport leads negotiations on its behalf.**
- **To agree the core principles to underpin our Negotiations (para 2.1).**
- **To agree to the further refinements made to our negotiation priorities that sit outside the DCO (para 5.2).**
- **To note progress on the Statement of Common Ground and key areas of concern (para 3.2).**
- **To agree the next steps (para 8.1)**
- **To note the revised timeline (Annex 2).**
- **To agree that on a whole Government basis we adopt proactive communication and stakeholder engagement in support of our negotiation priorities after March 2018.**

12. Joined up Working

This paper has been cleared by the Cabinet Secretary for Economy and Transport.

All the issues in this paper have been discussed by the Cross-Government Wylfa Newydd Programme Board.

Ken Skates AM
Cabinet Secretary for Economy and Transport
March 2018

**Drafted by Robin Beckmann
Approved by (Director General)**