

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	20 August 2014
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	International Trade Overseas Travel – Oklahoma and Mozambique
REPORT NUMBER:	EPI/14/239
CHECKLIST RECEIVED:	Yes

1. PURPOSE OF REPORT

The report requests consideration of two overseas visits by an Officer and an Elected Member to Oklahoma and to Mozambique, over and above the Council's approved International Trade Plan activities for 2014/2015.

2. RECOMMENDATION(S)

It is recommended that Council:

1. Consider authorisation of an extension to the existing approval of an overseas trade visit to Louisiana to allow the Depute Provost, or his nominated substitute, accompanied by an Officer, to visit Oklahoma City in October 2014 to address an energy conference, as described in the report
2. Consider authorisation of an overseas trade visit to Mozambique in November/December 2014 by the Depute Provost, or his nominated substitute, accompanied by an Officer, as described in the report
3. Receive a bulletin report on each visit within one month of return, if the visits are approved

3. FINANCIAL IMPLICATIONS

The delivery of the International Trade Plan 2014/2015 (approved by Enterprise Planning and Infrastructure Committee in January 2014) is supported by 3 FTE staff and an annual operational budget of £69,000 (excluding staff costs).

This operational budget is fully committed to the delivery of the approved Plan and its priority sector, markets and activities (details in section 5). There is therefore very little flexibility in terms of staff time and budget to carry out additional activity over and above the approved Plan. However the nature of international trade development is both proactive and reactive and, while careful planning of the 2014/2015 International Trade Plan addresses the proactive side,

there are increasingly frequent requests from partner organisations, Elected Members, foreign Governments etc to the International Trade team to react to and engage in additional international business activities. The team endeavours to respond as positively as possible, while acknowledging that capacity is necessarily strictly limited.

In the Administration's 2013/2014 budget agreed in February 2013, a budget line of £25,000 was approved to enable the Depute Provost to take on a specific role in supporting international trade activity, and the remaining balance of this budget has been accrued into 2014/2015 to provide continuity of this activity. The two activities described in this report will be charged to this budget.

4. OTHER IMPLICATIONS

Health and Safety: The health and safety implications of all overseas journeys are taken into account during planning, with any exceptional implications to be addressed at the time. Officers regularly review the travel advice provided by the Foreign and Commonwealth Office and are in contact with counterparts in-country to ensure information is accurate and up-to-date. When participating in overseas journeys, Council officers and Elected Members are covered by the Council's insurance policy. A risk assessment is carried out for each overseas journey.

Risk Management: The risks associated with **not** delivering the International Trade Plan 2014/2015 are:

- City companies would have significantly reduced opportunities to enter new export markets and exploit export opportunities;
- Aberdeen's position as a global energy capital would be compromised if there was no local support, for example, to host high-level visiting business delegations; likewise, there would be a serious risk of loss of visibility on the world energy industry stage if profile was not maintained at key overseas trade events;
- The Council would not be fulfilling its obligations in the Single Outcome Agreement, the vision for Smarter Aberdeen, or the role set out in the Scottish Economic Recovery Plan, which places internationalisation as "one of the central priorities for the acceleration of the Scottish recovery";
- Loss of targeted local support to local businesses could contribute to their failure, or their decision to relocate from Aberdeen.

Staffing: The International Trade team is currently staffed by one full-time Senior Executive (International Trade and Investment) and two full-time International Trade Executives. The successful delivery of the approved International Trade Plan is dependent on a fully-staffed team. Market prioritisation is considered very carefully to ensure staffing resources are targeted where they can deliver most value and benefit to local companies. However, any requests to deliver international trade activities over and above those in the Plan are subject to the availability of appropriate staff and budget resources. In this instance, the team is being asked to make available an officer to plan both additional activities. This may result in other planned work from the approved International Trade Plan

being delayed or, if necessary, discontinued in order to accommodate the additional demands.

5. BACKGROUND/MAIN ISSUES

The International Trade team helps to create the conditions for sustainable economic growth in the City by providing strategic support to City businesses to enhance their internationalisation (eg increase export of products and services).

The team does this by working effectively in partnership with key local, national and international partners to enhance the City's strategic profile and position as a global energy capital, and as an even better place in which to work, live, invest and visit.

In practical terms, this means supporting trade missions, hosting inward business delegations, facilitating contacts between local and international companies, holding business seminars, attending key industry conferences and exhibitions and providing the local business community with market intelligence.

In many of these activities, the team works in partnership with Scottish Development International, UK Trade and Investment and other local and national organisations via the North East of Scotland Trade Group to ensure the focus of the work is demand-led and there is a coordinated approach to international trade activity.

In the 2014/2015 International Trade Plan, the priority sector was identified as **energy** and the priority markets were identified as:

- US
- Canada
- Brazil
- Norway
- Australia
- Mozambique
- South Korea
- World Energy Cities Partnership fellow member cities

The priority activities were identified as:

- Attending industry conferences and exhibitions – taking an exhibition stand at some, simply having a proactive, mobile presence at others
- Where appropriate, leading or accompanying) trade missions to target markets
- Where appropriate, carrying out targeted fact-finding and “pump-priming” visits to initiate strategic inter-governmental/business links
- Hosting (both through proactively attracting and responding to requests from partners) key inward business delegations from main target markets
- Hosting business seminars for local companies
- Making better use of existing networks such as World Energy Cities Partnership, Memoranda of Understanding

Visit 1 – Oklahoma

The US is identified in the 2014/2015 International Trade Plan as a Tier One (high) priority market. This means that business support will include proactive outward and inward activities, for example trade missions, exhibitions, conferences, inward visits, local seminars, sponsored events, exploration visits to develop new opportunities etc.

To date, activity in this market has focused entirely on Texas and Louisiana, as the key centres for the offshore energy industry in the Gulf of Mexico. However, the onshore gas industry is widespread across the continental US and Oklahoma, the State immediately to the north of Texas, is the US's third-largest producer of natural gas, fifth-largest producer of crude oil, has the second-greatest number of active drilling rigs and ranks fifth in crude oil reserves. As a whole, the oil energy industry contributes \$35 billion to Oklahoma's gross domestic product, and employees of Oklahoma oil-related companies earn an average of twice the state's typical yearly income. Eight and a half percent of the US's natural gas supply is held in Oklahoma, with 1.673 trillion cubic feet (47.4 km³) being produced in 2009.

The Depute Provost has received an invitation from Professor Steven Agee, Dean of Meinders School of Business, Oklahoma City University, to participate in a panel session on current energy industry activities in the UK, Canada and Mexico at the International Energy Conference in Oklahoma City on 15 October 2014.

There is an existing approval in the 2014/2015 International Trade Plan for the Depute Provost and one Officer to be in Louisiana, US at this time anyway, therefore this proposal relates only to the request for the inclusion of a short "add-on" visit to Oklahoma City to enable the Depute Provost and Corporate Director to attend and address the International Energy Conference in Oklahoma City on 15 October.

The additional costs are estimated at £400 per person and would be charged to the Depute Provost's international trade budget.

Visit 2 – Mozambique

Mozambique is identified in the 2014/2015 International Trade Plan as a Tier Two (medium) priority market. This means that business support will include some outward but mainly local or inward events such as seminars and hosting visiting delegations.

Onshore oil and gas production has been developed in Mozambique since the 1950s-1970s. In the past three years, however, Mozambique has raised substantial interest and expectations in the global oil and gas industry due to very recent major offshore discoveries. "Mozambique may hold the world's fourth largest reserve and could become the world's third largest natural gas exporter" (Maplecroft Analytics Report, 20 June 2013).

The new potential is mainly offshore gas (LNG production) in deep-water reserves – the kind of development in which Aberdeen companies have particular expertise. So far the main international players have been Anadarko (US), ENI (Italy) and Statoil (Norway) but there are significant opportunities for Aberdeen-based supply chain companies to engage in this emerging export market.

Both Scottish Development International and Aberdeen and Grampian Chamber of Commerce have taken trade missions to Mozambique in the last year and all the interested parties seek to coordinate their trade support efforts through the North East of Scotland Trade Group, to avoid duplication.

Since the President of Mozambique's visit to Aberdeen in July 2013, the International Trade team has hosted three senior Government or academic visiting delegations from Mozambique – one academic focused delegation in May 2014 from Eduardo Mondlane University; one Government delegation in July 2014 led by the Minister for State Administration; and one Government delegation in August 2014 led by the Minister for Fisheries.

In addition, as part of the approved 2014/2015 International Trade Plan, Corporate Director Gordon McIntosh and the Depute Provost visited Mozambique in March 2014 and attended (with the Corporate Director addressing) the MMEC 2014 energy conference in Maputo.

Discussions have continued since July 2013 with the Mozambican High Commission in London to continue to develop the strategic relationship between Aberdeen and Mozambique, particularly the Cabo Delgado Province and its capital city Pemba, from where Mozambique's emerging offshore energy industry operations will be based. The purpose of developing this relationship is to create the optimal conditions for Aberdeen-based businesses to win contracts in this major emerging energy province. Discussions have also included the possibility of a future Memorandum of Understanding with Pemba/Cabo Delgado, which would be the subject of a separate report.

The next step in the process is a proposed visit by the Depute Provost and Corporate Director Gordon McIntosh to Cabo Delgado Province and its capital city Pemba in November or December 2014. Final dates are to be agreed with the High Commission in London but are likely to be, according to proposals from the High Commission, either early November or early December, the latter being considered to enable the delegates to attend the Mozambique Gas Summit in Maputo 2-5 December.

Costs are estimated at £1700 per person (excluding Mozambique Gas Summit costs, which would be approximately an additional £2000 per person at commercial rates, though the team would seek to secure a significantly reduced rate, if attending the Summit) and will be met from the Depute Provost's international trade budget as described in section 3.

Following this proposed visit in November/December, the next step is likely to be participation in a joint trade mission with Scottish Development International to

take companies out to Mozambique, most likely in Q1 2015. This trade mission has already been approved in the 2014/2015 International Trade Plan.

6. IMPACT

Corporate: The contents of the report relate directly to delivering the economic development aspects of the Single Outcome Agreement:

National Outcome 1 – We live in a Scotland that is the most attractive place for doing business in Europe

National Outcome 2 - We realise our full economic potential with more and better employment opportunities for our people

Local Outcome – Anchor the Oil and Gas Industry

Local Outcome – Diversification of the Economy

The contents of the report also relate directly to delivering the economic development aspects of the Administration's Smarter Aberdeen vision.

An Equality and Human Rights Impact Assessment is not required for this report.

7. BACKGROUND PAPERS

International Trade Plan 2014/2015 (EPI Committee approved Jan 2014)

International Trade Additional Commitments (Council approved June 2013)

8. REPORT AUTHOR DETAILS

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Appendix A: Agenda for International Energy
Conference, Oklahoma, 15 October 2014

8:00 – 8:30 a.m.

Registration, Continental Breakfast

8:30 – 8:45 a.m.

Welcome

Dr. Steven C. Agee - **CONFIRMED**

Dean and Professor of Economics

Meinders School of Business

Oklahoma City University

8:45 – 9:30 a.m.

Vello Kuuskraa - **CONFIRMED**

President

Advanced Resources International, Inc.

9:30 – 10:15 a.m.

The Development of Horizontal Drilling & Early Frac

Treatments- Lessons Learned from Mitchell Energy and

Devon Experiences

John Richels - **CONFIRMED**

President and CEO

Devon Energy

10:15 – 10:30 a.m.

Break

10:30 – 11:00 a.m.

Future Technological Developments in Energy

Exploration and Production

C. Michael Ming - **CONFIRMED**

General Manager

GE Global Energy Research Center – Oklahoma City

11:00 a.m. -12:00 p.m.

New Cutting-Edge Technologies in Oil & Gas Industry –

Panel -

John A. Arrell, Jr. ATK Defense Group-**CONFIRMED**

Professor Peter Malin, Director Institute of Earth

Science and Engineering, The University of Auckland,

New Zealand-**CONFIRMED**

Halliburton, TBA

GE Oil & Gas, TBA

Helmerich & Payne, TBA

Jay Albert (GE) - Moderator

12:00 p.m. – 1:00 p.m.

Adjourn to Luncheon Hall and Lunch

1:00 p.m. – 1:45 p.m.

Keynote Address - **INVITED**

Dr. Ernie Moniz

U.S. Secretary of Energy

1:45 – 2:15 p.m.

Matthew T. McManus - **CONFIRMED**

U.S. State Department

2:15 – 3:15 p.m.

International Energy Activity – **GUESTS INVITED**

UK, Canada, Mexico

3:00 – 3:15 p.m.

Break

3:15 – 4:15 p.m. (Panel Discussion)

“Communications in the Energy Industry”

C. Renzi Stone – Moderator - **CONFIRMED**

Chairman & CEO of Saxum

Jillian Ryan – Panelist-**CONFIRMED**

Founding Partner

Geopolitical Advisory Partners

Katrina Craigwell - Panelist

Global Digital Programming

GE

Maria Amezaga - Panelist

Global Social Media Strategist

Shell

Dave Samson

General Manager, Public Affairs

Chevron Corporation

4:15 – 4:55 p.m.

Keynote Address- **INVITED**

William F. Martin- Former U.S. Deputy Secretary of

Energy, Energy Economist, and International Diplomat

4:55 – 5:00 p.m.

Closing - **CONFIRMED**

Dr. Steven C. Agee

Meinders School of Business

5:00 – 6:00 p.m.

Reception