

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Enterprise, Planning and Infrastructure
<b>DATE</b>	23 February 2010
<b>DIRECTOR</b>	Gordon McIntosh
<b>TITLE OF REPORT</b>	International Trade Plan 2010-2011
<b>REPORT NUMBER:</b>	EPI/09/045

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### 1. PURPOSE OF REPORT

The report seeks approval for the Council's planned international trade development activities for 2010/2011 in order to help deliver the economic development priorities of the Single Outcome Agreement; Vibrant, Dynamic and Forward-looking; and the ACSEF vision.

### 2. RECOMMENDATION(S)

It is recommended that Committee:

1. Approve the report, including the 2010/2011 international trade plan at Appendix One, subject to its approval by the Scottish Government in the normal manner
2. Receive a bulletin report on each event undertaken in the plan

### 3. FINANCIAL IMPLICATIONS

The delivery of the proposed programme of international trade development activities is dependent upon a 2010/2011 international trade service budget allocation. In 2009/2010, the allocated budget was £63,000. However, 28% of this was given up as a one-off saving, due to an underspend. The international trade plan at Appendix One is based on a budget at the same level (*to be confirmed 11 February 2010*).

### 4. SERVICE & COMMUNITY IMPACT

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 Policy Statement Vibrant, Dynamic and Forward-looking:

“The future prosperity of our city depends on ensuring that Aberdeen becomes an even more attractive place in which to do business and so ensure that high quality employment opportunities exist for citizens. The partnership will continue to promote Aberdeen as the Energy capital of Europe and seek to lead in the field of renewable energy.”

## 5. 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 risk associated with not undertaking this international trade development work is that City SMEs would have significantly reduced opportunities to enter and exploit new export markets. The Council’s international trade development activity complements the national work of Scottish Development International (focused on key account-managed companies) and UK Trade and Investment.

## 6. REPORT

### Regional, National and International Context

The vision of Aberdeen City and Shire Economic Future (ACSEF) is for Aberdeen City and Shire “to be recognised by 2025 as one of the most robust and resilient economies in Europe with a reputation for opportunity, enterprise and inventiveness that will attract and retain world-class talent of all ages.” Aligned to this is the need to maintain an excellent quality of life, for which the region is already renowned.

To achieve this vision, and ensure sustainable growth and prosperity for the region, Aberdeen City and Shire’s public and private sector organisations need to work in partnership to deliver on the 7 strategic priorities (below) in the 4 key industry sectors of **energy, life sciences, tourism and food and drink**.

1. Deliver a fully integrated transport network

2. Maximise our intellectual capital – people and expertise
3. Anchor the oil and gas industry
4. Deliver city centre redevelopment
5. Attract and develop skilled people
6. Improve the efficiency of planning decision-making
7. Location of choice for company headquarters

This report outlines how the Council's international trade team will contribute to the delivery of these priorities, particularly items 2, 3, 5 and 7.

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 live, work, invest, visit and grow up.

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 market intelligence. In many of these activities, the team works in partnership with Scottish Development International, UK Trade and Investment and other organisations to ensure a cohesive "Team Scotland" approach to economic development activity. The team's work also contributes to local delivery of the Scottish Government's Economic Strategy and International Framework.

### Sector background

The four sectors outlined below – energy, life sciences, tourism and food and drink - are the key areas of economic activity in the north-east. Due to resource limitations in terms of staffing and budget, it is necessary for the City Council's international trade team to consider where their resources can add most value and deliver most benefit.

#### **Energy – oil and gas**

The UK is currently the 13<sup>th</sup> largest oil producer in the world and the 8<sup>th</sup> largest gas producer in the world. Aberdeen is recognised internationally as a global energy capital and a leading centre of energy excellence, with almost 40,000 people directly employed in 900 companies.

The Gross Domestic Product (GDP) of Aberdeen and the surrounding area is around £10.5 billion per year - one of the highest GDP per capita ratios in the UK and the European Union.

To date, around 38 billion barrels of oil equivalent (boe) have been produced from the UK Continental Shelf. It is predicted that there is still 15 to 25 billion barrels of oil equivalent that could potentially be extracted. Furthermore the

market for infrastructure decommissioning over the next 20 years is valued at £20-25 billion.

However, the last 18 months have brought new challenges - the global economic downturn and corresponding decline in access to capital, the variation in oil price, ageing infrastructure and skills shortages for example.

It is all the more important, therefore, that public and private organisations, both local and national, work effectively in partnership to anchor the oil and gas industry in Aberdeen. In practice, this means supporting the internationalisation of local companies, increasing their exports and facilitating their entry from their Aberdeen base into new markets.

## **Energy – renewables**

In addition to the oil and gas industry, Aberdeen is positioning itself as a centre of excellence for renewable energy. Aberdeen Renewable Energy Group (AREG) – a pioneering public-private partnership established in 2001 – aims to ensure that Aberdeen City and Shire and its businesses play a major role in the energy revolution.

With over 100 member companies, AREG is delivering a portfolio of renewable energy projects, including spearheading Aberdeen City and Shire's drive into new energy markets and expanding global connections; assessing the feasibility of a local offshore windfarm; accelerating the transfer of oil and gas technology and expertise to renewables; developing a new Renewables Research Centre and Joint Chair in Energy Futures supported by the University of Aberdeen, The Robert Gordon University and Aberdeen City Council; and leading the development of a biomass strategy.

In addition to the energy industry, Aberdeen is home to other key industries that significantly support the prosperity and development of the region: Life Sciences, Tourism, and Food and Drink.

## **Life Sciences**

“The region is home to one of the largest concentrations of life scientists in the UK outside Cambridge, with specialisms in human health and nutrition, bone health, infectious diseases, imaging and biologics. Aberdeen City and Shire has a significant academic and research base, centred on the Institute of Medical Sciences, the University of Aberdeen, the Rowett Research Institute, Robert Gordon University's School of Pharmacy and Life Sciences, and NHS Grampian. The challenge is to accelerate intellectual property exploitation and create new companies.” (Source: Aberdeen City and Shire Official Guide)

## **Tourism**

Tourism generates £250 million a year for the regional economy, with 40% of that attributable to overseas visitors. There are 20,000 tourism-related jobs in Aberdeen City and Shire, which is 8% of the region's total employment. The

region offers a powerful combination of leisure and business tourism destinations and is well positioned to compete with global destinations in the coming years.

## **Food and Drink**

Aberdeen City and Shire – “Scotland’s Larder” - has long been home to a strong food and drink industry, building on the area’s strengths in agriculture, food processing and fishing. Aberdeen City and Shire has 6,000 employees in food and drink manufacturing, contributing 13% of Scotland’s total food and drink employment, and generating 9% of Scotland’s food and drink turnover.

### Sector prioritisation

It is proposed that the City Council’s international trade team should continue its clear focus on the **energy** industry for the following reasons:

- The energy industry, both oil and gas and renewables, remains the key driver for the regional economy
- The energy industry is where the team can add most value for SMEs through supporting trade missions, hosting inward delegations, holding seminars etc
- There is significant industry-led demand for support to increase internationalisation and support further exports
- Support for high-value jobs in the city
- Future potential of subsectors such as subsea, decommissioning etc
- Activity complements national support from SDI and UKTI
- Existing knowledge, expertise and experience within the team is focused on the energy industry
- The life sciences sector benefits from existing support from Scottish Development International
- The tourism sector benefits from existing direct support from Visit Scotland, plus support from the Council’s city promotion and events team and Aberdeenshire Council
- The food and drink sector benefits from existing support from Aberdeenshire Council, where most of the region’s food and drink businesses are based.

Assuming a clear focus on the energy industry by the international trade team, the team must then narrow its focus further to certain key geographic target markets, in order to direct its limited staffing and budget resources towards optimal outcomes for local companies.

The priorities below are determined by taking into account the following:

- Industry opinion, for example, through the Export Survey and ad-hoc questionnaires
- Current knowledge, experience and expertise within the team
- Forecasting of future market developments
- Views of Council officers and Elected Members

- Views of local companies
- Views of local partner organisations
- Views of national agencies such as Scottish Development International, UK Trade and Investment etc
- Opportunity for best return on investment (eg of staff time, project budget)
- Cities/regions where good working relationships are already in place
- Accessibility of the market (eg regulations, business culture, language etc)

A full list of external consultees is shown in Appendix Two.

### **Summary of target markets and priority levels**

In order to focus activity where it can deliver most benefit, it is necessary to prioritise markets into three priority levels, which will determine the type and amount of activity to be undertaken in that market.

Activity in Tier One – the top priority markets – will include proactive outward and inward business support, for example trade missions, exhibitions, conferences, inward visits, local seminars, sponsored events etc.

Activity in Tier Two – medium priority markets – will include continued business support with some outward but mainly local or inward events, such as seminars.

Activity in Tier Three – “watching brief” markets – will include market monitoring and intelligence gathering, awareness-raising and limited local or inward events, subject to available resources.

However, given the speed with which markets and the oil and gas industry change and develop, this framework is intended as a guide only. The team will still maintain enough operational and financial flexibility to enable it to respond to any unexpected opportunities that may arise which have the potential to provide an immediate return for Aberdeen companies.

#### **Tier One (top priority)**

US Gulf of Mexico  
Brazil  
Australia

#### **Tier Two (medium priority)**

Norway  
Mexico  
Kazakhstan  
Qatar/UAE  
Iraq  
Kuwait

#### **Tier Three (watching brief)**

China\*  
Canada\*  
Russian Federation  
Malaysia  
Indonesia  
Singapore  
Libya  
India  
Colombia

\* Links maintained through WECP

### **Tier One – top priority**

#### **US Gulf of Mexico**

The focus of the trade development work in this market is to strengthen business partnership opportunities to attract US companies to start-up in Aberdeen City and Shire, and help local companies form partnerships with companies in the US. This will be delivered through strong working relationships with Louisiana Economic Development and the Louisiana Global Alliance, which includes the four main economic development authorities in the south of the State, as well as with the British Embassy and trade organisations in Texas, such as the Greater Houston partnership.

In the 2008 Export Survey, the US was rated as the number two market for current exporters and the number two target market, up from 14<sup>th</sup> place in 2006. Attendance at the annual Offshore Technology Conference (OTC) in Houston – the oil and gas industry’s largest global showcase – is a core element of the international trade programme, as OTC is seen as the ultimate “shop window”. Furthermore, an inward mission from Louisiana companies is anticipated for October 2010.

The wider US is a key target market for Aberdeen Renewable Energy Group, while the international trade team will target its resources on Texas and Louisiana, as outlined above.

#### **Brazil**

Brazil is a tier one priority because of the scale of the opportunity and the fact that it can be a challenging market to break into, so assistance for companies is vital. The Brazilian economy was one of the last to enter a recessionary phase and has already returned to growth. Petrobras, the National Oil Company has a \$174.4 Bn Investment Plan covering the period 2009 to 2013. There are reckoned to be two routes in to this market: 1) Establish an in-country subsidiary or 2) Form partnership with a local business. The main area of current offshore production is the Campos Basin. Future development effort in the pre-salt fields will be located in the Santos Basin which lies off Rio de Janeiro State and Sao Paulo State to the south of Rio. Aberdeen has a Memorandum of Understanding

with the State of Rio de Janeiro and its proposed activities for the Brazilian market in 2010 dovetail closely with the activities planned by both SDI and UKTI.

## **Australia**

The 2008 Export Survey listed Australia as the 4<sup>th</sup> most important market in which companies are currently active and the 6<sup>th</sup> most important target market for future exports. Since the Survey was compiled, industry interest in Australia has grown considerably, as demonstrated by the highest-ever attendance levels at the Aberdeen City Council/Scottish Development International/Government of Western Australia seminar on Doing Business in Western Australia in November 2009. Australia is also a key market for the subsea industry.

With more than A\$67 billion predicted to be outlaid on new petroleum projects in Australia over the next 10 to 15 years, the opportunities for international service and supply companies to gain new business opportunities are unprecedented. The Australasian subsea market, which was worth \$3.1 billion over the five years 2002-2006, is expected to almost quadruple to \$11 billion over the current 2007-2011 period. The potential for UK business in Australia is strong, with tremendous opportunities in many key technology areas including Topsides Design, Risers, Pipelines, SubSea Modules and Installation and Well Intervention to name but a few. (Source: Scottish Development International)

Australia is perceived as a high-opportunity market for both conventional and unconventional oil and gas – it is a politically and economically stable market with vast resources, and is seeking significant skills and technology development that Aberdeen companies would be well placed to provide. As part of the Council's strategy to anchor the oil and gas industry in Aberdeen, the team will organise events and presentations to make Aberdeen companies aware of the opportunities that exist in unconventional oil and gas exploration, extraction and production in key markets and in particular to make them aware of opportunities relating to tight gas exploration, extraction and production in Western Australia.

“Business investment in Western Australia grew by 5.6% between March and June 2009 and has grown an average 20.2% per annum in the five years to 2008.” (Source: Western Australia Review, December 2009)

Perth, Western Australia will host the 2010 WECP AGM and relationships are already developing well with the Government of Western Australia, Perth City Council, the private sector and the Universities there.

## **Tier Two – medium priority**

### **Norway**

According to the 2008 Export Survey, Norway is the number one market for current exporters but was only ranked 26<sup>th</sup> as a target market. It is a relatively straightforward market to enter, with fewer regulatory and language barriers than other markets. Offshore Northern Seas – the biennial oil and gas event in



alternate years to Offshore Europe - is an important European platform for local companies to showcase their products and services.

Opportunities in Arctic Europe/Russia (Shtokman) through northern Norway are being progressed through contacts with Kirkenes (see below).

## **Mexico**

Mexico is seen by a number of Aberdeen companies as a high-opportunity but difficult-to-enter market. The Presidential visit to Aberdeen in March 2009 has already strengthened ties between the UK and Mexican energy industries. Recent legislative reforms have gone some way to making the market more accessible for foreign companies and the Mexican Government has shown interest in learning from the North Sea model.

Aberdeen City Council and Scottish Development International have been cooperating to create and develop market-entry opportunities for Aberdeen companies and there is now reasonable momentum in activity for this market.

Depending on the outcomes and follow-up from the February 2010 trade mission being undertaken with SDI, it will be important to programme further activity with this market in 2010/2011 to maintain momentum. Links with Villahermosa and Tabasco – with whom Aberdeen has a dormant MOU – could be maintained, if both cities desired, at an appropriate level through WECP. There is scope to develop relationships with Carmen, though this does not need to take the form of an MOU.

## **Kazakhstan**

Aberdeen has an active and productive MOU with Atyrau, Western Kazakhstan and supported its nomination for membership of WECP. There are existing commitments in place for seminars (one in Aberdeen; one in Kazakhstan), both likely to take place in the first four months of 2010, which will also provide advance support for SDI's planned mission there in May 2010.

There are significant opportunities for the Aberdeen supply chain from the Kashagan field – the largest global oil discovery since the 1960s – and from the Karachaganak field which is believed to hold 1.2 billion tonnes of oil and gas condensate and 1.3 trillion cubic metres of natural gas - and this justifies holding a seminar early in 2010.

## **Qatar/UAE**

The United Arab Emirates is a highly-rated target market and also one in which local companies are already doing business successfully. UAE is a key potential source of inward investment and Doha, Qatar will be host to the 2011 World Petroleum Congress in December 2011. Doha is also a new member of WECP and this provides an additional opportunity to develop links. A seminar to raise local companies' awareness of this market will precede a UK Trade and

Investment mission to Qatar and will be a useful opportunity to build relationships with this high-potential market.

## **Iraq**

UK Trade and Investment states Iraq “is plentiful in natural resources and possesses considerable potential for economic growth. The UK government wishes to see UK companies play a substantial role in the reconstruction of Iraq's essential infrastructure, and British firms are already active in a range of sectors, including: Power; Water; Health; Telecommunications; Oil and gas; Construction; Education.”

With proven oil reserves of 115 billion barrels, proven natural gas reserves of 3.2 trillion cubic metres, and output potential of 6–12mn barrels a day elevating Iraq to the position of 3rd largest global producer, the scale of opportunity in this country for oil and gas infrastructure and supply chain services is unprecedented on a global scale. With the BP-CNPC consortium securing the contract to develop the 17.8 billion barrel Rumaila oilfield, awareness of the opportunities in this market should be raised to ensure local companies are able to take informed decisions about entering this market.

However conditions are difficult, with security, legislation and infrastructure among the main concerns. Therefore in 2010/2011 it will be important to monitor the development of this market (including in the 2010 Export Survey) and raise awareness of the opportunities and conditions, particularly in skills development and training, with any activity focusing on locally-based support.

## **Kuwait**

It is estimated that the Kuwaiti Government will spend \$51 billion over the next five years in upstream and downstream projects, focusing on increasing production and maturing fields, which ties in well with Aberdeen's expertise. Kuwait has over 100 million barrels of proven reserves, making it 5<sup>th</sup> in the world.

There is a good opportunity to carry out a local seminar and promote supply chain companies' entry to the market.

## **Tier Three - watching brief**

### **China**

The 2008 Export Survey listed China as the number one target market, though only 26<sup>th</sup> among current export markets. Aberdeen has links with the number one and number two oil cities in China (Daqing and Dongying) through WECP and recently agreed to cooperate more closely (under the auspices of WECP) with Dongying, at Dongying's request. IP remains a concern for companies although improvement is being seen in this area. UKTI is planning two missions to China in 2011 (one oil and gas; one gas). China is also a key target market for renewable energy and AREG is leading in this area.

However, China is a very difficult market to penetrate and requires considerable resources to make a significant impression. SDI and UKTI are already putting significant resources into entering the Chinese market. Therefore, due to the relatively low resources available to the international trade team, the team is unlikely to be able to make any serious direct impact in this market. This explains why China has been categorised as a tier three market. Efforts will focus on links with Dongying and Daqing through the WECP and hosting inward visits on request.

## **Canada**

Strong working relationships exist with Alberta, Nova Scotia and Newfoundland, through the World Energy Cities Partnership, the latter two also having Memoranda of Understanding with the former Grampian Regional Council. Having reviewed the MOUs in late 2009, it was found that they had achieved what they were set out to do.

In partnership with UKTI, the international trade team ran two successful trade missions to the Alberta oil sands in 2008, however it is felt that this is not an area where the international trade team should focus its activity in 2010/2011. The most recent Export Survey showed that Canada had fallen from 7<sup>th</sup> to 14<sup>th</sup> place in the current markets for exporters. Both UKTI and SDI are expected to continue to support this market, as will Aberdeen Renewable Energy Group. Therefore it is calculated that the international trade team's efforts would be better placed in other markets.

## **Russian Federation**

A watching brief will be maintained on this market, focusing on Murmansk and Arctic Europe. SDI are leading on activity in this market. Representatives from Murmansk will attend Subsea 2010, providing an opportunity to consider what, if any, activity could be undertaken. Future membership of at least one Russian city is anticipated for WECP.

## **Malaysia**

Malaysia is one of the fastest growing economies in South East Asia. Malaysia has substantial crude oil and gas reserves. Upstream, there are over 70 fields in production and more than 250 platforms in operation. The downstream sector boasts over 50 refineries, petrochemical plants and gas processing plants. Oil companies will invest heavily over the next 5-10 years to develop new discoveries in deeper waters. (Source: UK Trade and Investment)

## **Indonesia**

Indonesia has significant oil reserves and is the world's second-largest exporter of liquefied gas. Opportunities exist in exploration and exploitation, enhanced recovery and marginal field development, refineries and LNG terminals. The sector needs to reach international standards and attract skilled personnel,

offering opportunities for UK training and development companies. (Source: UK Trade and Investment)

## **Singapore**

Singapore is the UK's largest trading partner in South-East Asia and one of its largest export markets outside Europe. The UK is its largest investor, with over 700 UK companies based there. [It is] ranked number-one globally by the World Bank in its 'ease of doing business' report. Singapore is the world's third largest oil refining location and oil trading centre, with approximately £250 billion of trade channelled through it each year. (Source: UK Trade and Investment)

## **Libya**

The oil and gas sector is the main driver of the Libyan economy, accounting for 95% of the country's export revenues. With production currently at approximately 1.7 million barrels of oil per day, Libya is the second largest of Africa's oil producers and the fourth largest gas supplier, and Europe's single biggest oil supplier.

Libyan oil is light and "sweet", costing less to refine. Only 25% of Libya's surface territory has been explored to date. It has the largest proven oil reserves in Africa of 42 billion barrels of oil and over 1.3 trillion cubic metres of gas. There is every chance that actual reserves are twice those figures. Libyan investment in exploration and development should total \$42 billion in the next five years, with over 50 international oil companies present in the market. In 10 years' time, Libya could be supplying gas to the UK – already, Libya provides a third of Italy's gas needs. (Source: UK Trade and Investment)

## **India**

India is one of the world's fastest growing emerging economies with a rapidly expanding consumer class. According to forecasts by the Economist Intelligence Unit, there will be a dramatic increase of foreign direct investment flowing towards India in the next few years, from US\$23 billion in 2007 to US\$60 billion in 2012. The oil and gas industry in India, which is the world's fifth-largest energy consumer, contributes about 45 per cent of the country's total energy consumption. Edinburgh-based Cairn Energy plc has a major project in Rajasthan that is expected to generate 20 per cent of India's future oil production. (Source: UK Trade and Investment)

## **Colombia**

Colombia is the UK's fifth largest export market in South America. The UK is also one of the largest foreign investors in Colombia, with investments in excess of US\$16bn, including in the oil and gas industry. Colombia's economy is diverse and relatively advanced. Ecopetrol, the Colombian National Oil Company, is the 4<sup>th</sup> largest oil and gas company in Latin America. Ecopetrol's exploration and production strategy includes gaining expertise from international partners in order to help it meet its 2015 target of producing 1 million BOE per day.

(Sources: UK Trade and Investment and Ecopetrol CEO Javier Gutierrez's presentation to LAGCOE 2009)

### **West/East Africa (no involvement)**

Aberdeen and Grampian Chamber of Commerce leads the UK West Africa Action Group, which is the largest business support organisation specialising in oil and gas trade with West Africa. It is an active and widely respected group and therefore it is believed that there is no need for the Council to focus on this market area, as it would only duplicate existing work. Where appropriate, the team may be able to support activities such as promoting Chamber trade missions to local companies, or providing a welcome to inward visitors. Also, Luanda, Port Harcourt and Malabo are all members of WECP.

### **Additional Priorities**

#### **World Energy Cities Partnership (WECP)**

Aberdeen City Council is a founding member of the World Energy Cities Partnership – a 16-strong network of global energy cities that encourages the exchange of energy industry knowledge and economic and infrastructure development strategies.

Representatives of the City Council attend two WECP meetings per year: the Annual General Meeting each October, and a working meeting during the Offshore Technology Conference in Houston each May.

There are opportunities to derive greater benefit for local companies from WECP membership. A number of sub committees have been established on education, business development, communication and climate change, on which Aberdeen is represented. This will allow for more active participation in WECP, which will be a priority in 2010/2011.

#### **Memoranda of Understanding (MOU)**

Aberdeen currently has six Memoranda of Understanding with the following energy cities and regions:

Atyrau, Western Kazakhstan  
Halifax, Canada  
St John's, Canada  
Torshavn, Faroe Islands  
City of Villahermosa and State of Tabasco, Mexico  
State of Rio de Janeiro, Brazil

Only the Kazakh MOU is currently active, although the Brazilian and Mexican MOUs could be revived if desired and if resources allow. The Faroese and Canadian MOUs are dormant and no action by the international trade team is proposed in 2010/2011.

However, in order to take full account of the whole MOU picture, it is proposed to bring forward in a separate Committee report a comprehensive review of all six MOUs.

Having identified the priority sector (energy) and the priority markets as above, the next step is to identify what type of international trade support activity will deliver the best results for Aberdeen companies.

### Type of activity

The type of activity undertaken will depend on the nature of each market, the level of industry interest/demand, resource capacity (both budget and staffing), and ability to maximise output through working in partnership in order to ensure the Council obtains maximum value for every pound it spends.

One of the main factors in determining activity is resource availability and that leads the team to focus on predominantly low-cost, local activity, but with as high an impact as possible. A high-level presence at major events would require additional resources.

The other main factor is Scottish Development International and UK Trade and Investment's strategies. The nature of international trade development activities and the extent to which the Council's international trade team is involved, is determined by the national agencies, as all activities require Scottish Government approval. The Council's international trade team has a responsibility to maximise Aberdeen's exposure within that national framework. The delivery of the team's 2010/2011 plan will support and contribute to the achievement of national objectives in international trade development.

In general, the type of activity will include:

- Attending industry conferences and exhibitions – taking a stand at some, simply having a mobile presence at others
- Where appropriate, accompanying trade missions to target markets
- 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 WECP

Appendix One outlines the key international trade development activities and corresponding budget for 2010/2011. However, the team requires to undertake further activity in support of this:

**Support required for successful international oil and gas trade service delivery**

<b>Topic</b>	<b>Lead Role and Supporting Input</b>	<b>Estimated Cost and Comments</b>
Seminar programme on doing business in international markets	International Trade with AGCC	Funds may be available (£12.5k) from BGI budget.
WECP Academic Exchange programme. Future development of academic exchange between WECP cities, focus on environment and diversification away from fossil fuels	Universities	Currently up and running.
Export survey development Export survey delivery	International Trade with Aberdeenshire Council and AGCC	Contribution agreed by Aberdeenshire Council
Trade quarterly newsletter	International Trade	Staff time
Circulation of industry events to city and shire companies	International Trade	Staff time
Website content	International Trade	Staff time
CRM system	Business Development Team with support from all other teams	Small system/software cost TBC/Urgent
Business directory	City Promotion with support from Business Development team	Cost TBC and staff time required
Oil and gas industry capacity building support to Councillors (.e.,g bulletins)	International Trade	Staff time
Relationship building with key industry bodies and companies and other local authorities	International Trade	Staff time
Co-ordination of council involvement in local industry events e.g., invitation lists, sponsorship at award dinners, oil and gas conferences and exhibitions	Business Development team with support from International Trade	Staff time and limited sponsorship
Speeches for councillors at industry events	International Trade and Business Development teams with	Staff time

	support from City Promotion	
World Petroleum Council bid. Council could be called on to support again	ACSEF with support from ACC, Aberdeenshire and private sector	Staff time plus possible subvention grant
World Heavy Oil Congress 2012 bid	City Promotion with support from Business Development and International Trade teams	Staff time plus possible subvention grant
Industry intelligence gathering for service development e.g.,: <ul style="list-style-type: none"> <li>• Decommissioning</li> <li>• Carbon Capture Storage</li> <li>• Training and Education</li> <li>• Subsea technology</li> <li>• Unconventional oil and gas</li> </ul>		Staff time
Inward Investor Support Strategy and relationship building with potential and new investors	Business Development Team with support from International trade	Staff Time
Aberdeen City Economic Development presentation materials for use at local and international exhibitions, to include creation of updated media (short video)	City Promotion with input from International Trade	Costs TBC
Intelligent Exporter (£7.5m) Scottish Government programme to support SMEs' international trade development	International Trade with External Funding	May generate funding to support local activity

### Staffing

The international trade team is currently staffed at the level of 2.3 FTE personnel\*. (\*Not taking account of City Promotion team personnel who are involved in exhibitions such as OTC and ONS). For this reason, market prioritisation has been considered carefully to ensure staffing resources are targeted where they can deliver most value and benefit to local companies.

With the proposed creation of an Economic and Business Development Service, it is hoped that additional staff resources can be diverted to the International Trade function. This will allow the team to increase activity in priority areas identified in this paper.



## **REPORT AUTHOR DETAILS**

Elaine Robertson  
International Strategist  
Enterprise, Planning and Infrastructure  
Tel 01224 814599  
Email [elrobertson@aberdeencity.gov.uk](mailto:elrobertson@aberdeencity.gov.uk)

## **BACKGROUND PAPERS**

Aberdeen City and Shire Export Survey  
Scottish Government Economic Strategy and Recovery Plan/Update  
Scottish Government International Framework  
The Economic Action Plan (2008) for Aberdeen City and Shire – ACSEF  
Aberdeen City and Shire Official Guide  
Aberdeen City Council Single Outcome Agreement  
Vibrant, Dynamic and Forward-Looking  
Aberdeen and Grampian Chamber of Commerce Oil and Gas Survey November  
2009

**APPENDIX 1**

**INTERNATIONAL TRADE PLAN 2010 – 2011**

<b>MARKET AND PRIORITY LEVEL</b>	<b>TRADE EVENT</b>	<b>TIME AND PLACE</b>	<b>JUSTIFICATION</b>	<b>OFFICER INVOLVEMENT</b>	<b>COMPANY INVOLVEMENT</b>	<b>MEMBER INVOLVEMENT</b>	<b>BUDGET</b>
<b>Tier One</b>							
USA	OTC: Offshore Technology Conference <b>(Already Approved at EP&amp;I Committee 1 Sep 09)</b>	Houston, USA 3-6 May 2010	OTC is the major global oil industry show. USA is the no.2 target market for current exporters and the no.2 current market for current exporters. Also includes WECP meetings.	Three Officers	Yes – numbers TBC	Lord Provost and Council Leader	Economic Promotion: £30,000 includes exhibition space and costs for 2 officers and 1 Member. International Trade: £5,000 includes costs for 1 officer and 1 Member to attend WECP.
Brazil	Rio Oil and Gas or Rio Energy and Power TBC	Rio, Brazil Autumn 2010	Trade Mission to major international oil and gas show for target market and MOU partner.	Up to Two Officers	Yes – UKTI/EIC/Subsea UK mission	No	£4,000
Australia	WECP AGM and trade mission	Perth, Australia 27 October 2010	WECP annual meeting; development of WECP network; outward trade mission	One Officer	Yes – numbers TBC	One Elected Member	£6,000 to be met from within existing international trade budget; plus £6,000 annual membership fee to be met from within existing international trade budget
Australia	Australia Oil and Gas	Australia March 2011	Australia is a top priority market due to scale of opportunity and ease of market access.	One Officer	Yes – numbers TBC	No	£4,000
<b>Tier Two</b>							
Norway	ONS: Offshore Northern Seas <b>(Already Approved at EP&amp;I Committee 26 Nov 09)</b>	Stavanger, Norway 24-27 August 2010	ONS is one of the major global energy industry events at which companies showcase their products and services. Norway is the no.1 current market for exporters.	Four Officers	Yes – numbers TBC	Lord Provost and Council Leader	£10,000 to be met from the 10/11 international twinning budget (Common Good Fund) subject to the budget process for the ONS Festival. Remaining Budget sponsors TBC
Kazakhstan	Kazakhstan MOU – fulfillment of cooperation agreement	Atyrau and Aberdeen Dates TBC	Environmental and business promotion seminar/trade mission to be determined	One Officer	Yes – numbers TBC	Lord Provost	£4,000

MARKET AND PRIORITY LEVEL	TRADE EVENT	TIME AND PLACE	JUSTIFICATION	OFFICER INVOLVEMENT	COMPANY INVOLVEMENT	MEMBER INVOLVEMENT	BUDGET
<b>Other</b>							
Inward visits to Aberdeen from various markets	Inward Visits 2010/11	Aberdeen Various dates TBC	Inward visits from overseas delegations anticipated from target markets during 2010/11, eg for All Energy. Number of requests for assistance with visits likely to be high.  Known inward visits to date: Transpetro Brazil March 2010 (Tier One) Louisiana USA Oct 2010 (Tier One)	Various	Yes	Yes	£9,000
Local seminars and workshops in Aberdeen on various markets	Local seminars and workshops	Aberdeen Various dates TBC	Programme of local seminars and workshops to focus on key target markets, to include:  <b>Tier One</b> Gulf States Australia tight gas  <b>Tier Two</b> Kazakhstan/Kashagan  <b>Tier Three</b> Malaysia	Various	Yes	No	£8,000
Other events to support entry to various markets Tiers 1-3	Other Market Initiatives	Aberdeen and partners	Programme of initiatives in support of developing other markets identified in Tiers 1 – 3, including:  Middle East Mexico Russia China Canada	Various	Yes	TBC	£10,000 £5,000 £1,000 £1,000 £500

**International Trade Project Budget Summary 2010/2011:**

<b>OTC Houston</b>	<b>5000</b>
<b>Brazil mission</b>	<b>4000</b>
<b>Australia mission</b>	<b>4000</b>
<b>Kazakhstan</b>	<b>4000</b>
<b>WECP membership</b>	<b>6000</b>
<b>WECP AGM</b>	<b>6000</b>
<b>Inward visits</b>	<b>9000</b>
<b>Local seminars</b>	<b>8000</b>
<b>Other market initiatives (Tier1-3)</b>	<b>17000</b>
<b>Total</b>	<b>63000</b>

## **APPENDIX 2**

### List of External Consultees

Aberdeen and Grampian Chamber of Commerce  
Aberdeenshire Council  
Aberdeen City and Shire Economic Future  
Scottish Development International  
UK Trade and Investment