

ABERDEEN CITY COUNCIL

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| COMMITTEE | City Growth and Resources |
| DATE | 28 th October 2020 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Aberdeen South Harbour Extension Update |
| REPORT NUMBER | COM/20/169 |
| DIRECTOR | |
| CHIEF OFFICER | Richard Sweetnam |
| REPORT AUTHOR | Julie Wood |
| TERMS OF REFERENCE | 3.3 |

1. PURPOSE OF REPORT

- 1.1 To provide an update on progress by Aberdeen Harbour Board (AHB) in delivering the Aberdeen Harbour South Expansion (AHSE) project.

2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Notes the progress made by AHB in delivering the Project;
- 2.2 Instructs Chief Officer City Growth to report progress updates to the Aberdeen City Region Deal Joint Committee with Service Updates circulated to this Committee as and when necessary; and
- 2.3 Notes that AHB will give a presentation on the progress of the project to the Aberdeen City Region Deal Joint Committee, on Friday 13th November 2020.

3. BACKGROUND

- 3.1 AHSE is a £370 million investment by AHB to expand its marine facilities from its existing location in the city. As part of the infrastructure support provided by the Aberdeen City Region Deal, the Council and Aberdeenshire Council have contributed £11m to the Project.
- 3.2 Covid-19 and the subsequent lockdown had affected the scheduling of the construction of the new harbour. As a result of these interruptions, with the Project 70% complete, AHB announced in June 2020 that the main contractor, Dragados UK, would no longer be involved in the Project.
- 3.3 The Council's Urgent Business Committee (UBC) on 30 June 2020, agreed to instruct the Chief Executive to write to the Scottish Government asking them to

explore direct financial support measures for Aberdeen Harbour Board given the difficulties described. On receiving a reply from the Scottish Government officers were instructed to report back to the City Growth and Resources Committee detailing progress made by AHB in securing funding from the Scottish Government, securing a new contractor, the impact on the completion date, and the wider impact of any delay in delivering economic benefits. Both letters are attached in Appendix A.

Funding

- 3.4 In the immediate aftermath of Covid-19 and the lockdown, AHB contacted the Scottish Government on how the general business support schemes that were available could be used to support the impact on AHB business.
- 3.5 Given the eligibility criteria for these schemes, AHB did not benefit directly. However, it was one of 10 Scottish recipients of the £12m Decommissioning Challenge Fund (DCF). £28,800 was awarded in June 2020 to partially fund a recently completed feasibility study that considered the harbour's future as a decommissioning centre of excellence.
- 3.6 In June 2020, the Scottish Government announced its £62m Energy Transition Fund to support major projects in the north east of Scotland. This included a funding contribution to support Scotland's Energy Transition Zone (ETZ) adjacent to the AHSE project.
- 3.7 AHB has ambitions to deliver 'Green' Port services such as shore to ship electrification and use of renewable energy. Officers have been looking at potential funding under Horizon 2020 – specifically, 'Green Airports and Ports as multimodal hubs for sustainable and smart mobility' and have been discussing the with AHB and Port of Antwerp. This topic addresses innovative concepts and solutions for airports and ports, to urgently reduce transport Greenhouse gas emissions and increase their contribution to mitigating climate change.
- 3.8 The Harbour's overall budget has been the subject of several review exercises and can be confirmed as robust.

Securing a New Contractor

- 3.9 With 70% of the Project complete, AHB confirmed it did not need a new main contractor to complete the scheduled works, when Dragados UK was no longer involved. In response, AHB has awarded two new contracts for rock removal and revetment work at the South Harbour expansion site, with a total value of £20m. The contracts have been awarded to Van Oord, a global maritime contractor that specialises in dredging, marine engineering, and offshore projects. The contract awards will see the completion of profile work for the harbour basin and add protection to sections of the shore in time for the coming winter.

- 3.10 Contract awards have also been made to the value of £4.3m for caisson transfer and placement from their current storage location in the Cromarty Firth, through to their placement within the new harbour. Several companies have been awarded work supporting the various elements of this work scope, including north east companies Ocean Kinetics, Caledonian Towage, Miller Plant, Ashleigh Contract and Leiths.
- 3.11 The remaining marine and civils work will be contracted in early 2021 with work starting as early as March 2021, if weather permits.

Impact on Completion Date

- 3.12 As a result of the changes to the project, the revised milestones are:

| Milestone | Date | Update Sept 2020 |
|--|----------------|--|
| Handover of site from Dragados to Aberdeen Harbour | June 2020 | Complete |
| Two new contracts for rock removal and revetment work at the South Harbour expansion site, with a total value of £20 million | July 2020 | Complete |
| Contract awarded for the value of £4.3million for caisson transfer and placement | July 2020 | Complete |
| All caissons in place for Castlegate Quay completing the fixed-quay section of Castlegate Quay | August 2020 | Complete - the caissons will be back-filled with material dredged from the Harbour to create the large quays and heavy-lift areas. |
| All caisson in place for Dunnottar Quay, completing the east-facing Dunnottar Quay. | September 2020 | Complete - the caissons will be back-filled with material dredged from the Harbour to create the large quays and heavy-lift areas. |
| All caissons in place for the north-facing Castlegate Quay | November 2020 | On-track 14/22 in caissons across all three quays are now in place |
| Revetment & protection works complete | November 2020 | |
| Contract awarded for South Breakwater | March 2021 | |

| Milestone | Date | Update Sept 2020 |
|---|----------------|--|
| Contract awarded for concrete surfaces, mechanical and electrical works | March 2021 | |
| Licence to operate received | August 2021 | Early dialogue with following agencies needed to ensure this remains on track: Maritime & Coast Guard Agency; Northern Lighthouse Board; National Frontiers Unit, Customs & Excise |
| Potential Phased Opening | September 2021 | |
| Full opening of Aberdeen South Harbour | July 2022 | |

Economic Impact

- 3.13 There will be a 12-18month delay to the opening of AHSE. The benefits were always estimated to occur as the new facilities became fully operational and utilised. There will be impacts as a result of a slower recovery as a result of the wider global downturn. Any changes will be presented to the Aberdeen City Region Deal Joint Committee.
- 3.14 The delay however may also have a wider positive benefit in the sense that the new facility is not open during the current challenging trading environment, and the legacy of that. Further, the delay to the project is not anticipated to negatively impact on Aberdeen's ability to maximise the opportunities from the current ScotWind licensing rounds, and in particular development of offshore wind production at the three East Region sites most accessible from Aberdeen. This development, and the supporting facilities for energy transition in the ETZ, including offshore wind assembly, O&M, marshalling and potential manufacture, as well as green hydrogen production, will be a main driver of demand for energy transition skills and provider of jobs. This is all in addition to activity under 'business as usual'.
- 3.15 Supporting this wider economic development could be consideration of major inward investment incentives for new business location to Scotland. Officers have been looking at development of 'special economic status' to the zone immediately adjacent to AHSE and discussing this with AHB in the context of a potential bid for 'freeport' status. Further work on the net economic benefits of this proposal will be required.
- 3.16 As one of only two EcoPorts in Scotland, Aberdeen will play a pivotal role in the energy transition. 2020 will see the port source 100% of its energy from clean sources, introduce its first electric vehicles and invest more than £300,000 in replacing more than 700 lights with LEDs to reduce consumption by 54% every

year. These developments will not only contribute to its decarbonisation plans, but also improve its competitiveness as its customers are increasingly demanding 'green' maritime facilities.

4. FINANCIAL IMPLICATIONS

- 4.1 As part of the Aberdeen City Region Deal, Aberdeen City Council and Aberdeenshire Council each agreed to fund £5.5m as contributions to the South Harbour Extension. This funding was drawn early in the project as planned and so is not impacted by the delay.
- 4.2 There are no other direct financial implications to the Council arising from the recommendations of this report.
- 4.3 There are no direct financial implications to the Aberdeen City Region Deal programme funding arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications to the Council arising from the recommendations of this report.

6. MANAGEMENT OF RISK

| Category | Risk | Low (L) Medium (M) High (H) | Mitigation |
|-----------------------|--|-----------------------------------|--|
| Strategic Risk | Further delays to the Harbour may impact on the Regional Economic Strategy and the Council's Net Zero Vision | L | To continue to liaise with UK/SG and the Aberdeen City Region Deal partners to support funding and monitor impact on Benefits |
| Compliance | Risks around compliance will be a monitored by AHB | L | |
| Operational | Operational risks will be a monitored by AHB | L | |
| Financial | Financial risks will be monitored by AHB and material risks will be reported to ACRD | L | As part of the ACRD, a legal contract is in place between Aberdeenshire Council and the Aberdeen Harbour Board and as such funding |

| Category | Risk | Low (L) Medium (M) High (H) | Mitigation |
|------------------------------|--|-----------------------------------|---|
| | | | is reported to Joint Committee |
| Reputational | There is a reputational risk to the Council and Regional Partners should the project not complete and/or the benefits are not realised | L | To continue to receive regular updates from the Harbour Board to ACRD Joint Committee as per the governance arrangements |
| Environment / Climate | There is a risk that the environmental benefits of the project and wider energy transition projects in the Strategic Infrastructure Plan are missed if investment funding is not secured | L | To continue to receive regular updates on the Project to ACRD Joint Committee, ONE Board or the Net Zero Leadership Board as required |

7. OUTCOMES

| <u>COUNCIL DELIVERY PLAN</u> | |
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| | Impact of Report |
| <p>Aberdeen City Council Policy Statement</p> <p>Economy 5 - Support the Aberdeen Harbour expansion and work collaboratively to maximise tourism opportunities, including attracting high value cruises</p> <p>Economy 11 - Open negotiations to secure funding for a second Aberdeen City Region Deal</p> <p>Economy 14 - Work with both governments in order to unleash the non-oil and gas economic potential of the city</p> | <p>The update in this report is linked to Policy Statement 5 & 11.</p> <p>The Harbour was due to open in 2020 and this paper sets out the milestones for partial opening in 2021 as well as noting the impact on the expected Benefits.</p> <p>Aberdeen Harbour Expansion is a City Region Deal Project.</p> |

| Aberdeen City Local Outcome Improvement Plan | |
|--|--|
| <p>Prosperous Economy Stretch Outcomes</p> <p>1. 10% increase in employment across priority and volume growth sectors by 2026</p> | <p>The Aberdeen South Harbour Projects supports the delivery of LOIP Stretch Outcome 1 as it will contribute to job creation within the energy and renewables sector.</p> |
| <p>Prosperous People Stretch Outcomes</p> | <p>Aberdeen Harbour's Community Action Fund has supported more than 200,000 children and adults in the North East of Scotland, by donating £600,000 to nearly 50 community groups and organisations.</p> <p>Local procurement strategy has also helped secure employment in the local area and the wider Scottish area.</p> |
| <p>Prosperous Place Stretch Outcomes</p> <p>14. - Addressing climate change by reducing Aberdeen's carbon emissions by 42.5% by 2026 and adapting to the impacts of our changing climate.</p> | <p>As one of only two EcoPorts in Scotland, Aberdeen will play a pivotal role in the energy transition. 2020 will see the port source 100% of its energy from clean sources, introduce its first electric vehicles and invest more than £300,000 in replacing more than 700 lights with LEDs to reduce consumption by 54% every year.</p> <p>Development of new applications for green hydrogen production will support climate change reduction</p> |
| Regional and City Strategies | |
| <p><i>Regional Economic Strategy and Action Plan;</i> <i>City Region Deal Programme;</i> <i>Inward Investment Plan;</i> <i>Tourism Strategy and Action Plan;</i> <i>Aberdeen 365 Plan;</i> <i>Aberdeen Economic Policy Panel Annual Report;</i> <i>Regional Skills Strategy;</i> <i>Strategic Development Plan;</i> <i>Regional Transport Strategy;</i> <i>Local Development Plan</i></p> | <p>The Aberdeen South Harbour Project is embedded within a number of the Regional and City Strategies</p> |
| UK and Scottish Legislative and Policy Programmes | |

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| UK and Scottish Legislative and Policy Programmes | <p><i>The Government's Programme for Scotland 2020</i> highlights investing in a net zero economy</p> <p><i>Towards a Robust Wellbeing Economy for Scotland'</i> was published on 22 June 2020 and SG response to the Report entitled '<i>Economic Recovery Implementation Plan</i> was published on 5 August 2020 both highlight a shift to Energy Transition.</p> |
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8. IMPACT ASSESSMENTS

| Assessment | Outcome |
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| Impact Assessment | Not required |
| Data Protection Impact Assessment | A Data Protection Impact Assessment is not required for this report |

9. BACKGROUND PAPERS

- 9.1 Aberdeen City Council Urgent Business Committee Decision Sheet 30 June 2020, Item 6.2.
- 9.2 AHB Website - <http://www.aberdeen-harbour.co.uk/south-harbour-development/>

10. APPENDICES

Appendix A: Correspondence between ACC Chief Executive and Mr Mathieson

11. REPORT AUTHOR CONTACT DETAILS

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