

ABERDEEN CITY COUNCIL

COMMITTEE	Finance & Resources
DATE	29 th March 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	North East of Scotland Green Freeport – Update
REPORT NUMBER	COM/23/103
DIRECTOR	Gale Beattie
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Julie Wood
TERMS OF REFERENCE	3.2 and 3.4

1. PURPOSE OF REPORT

- 1.1 To report back to this Committee on the development and outcome of the Green Freeport Proposals; and in the event of an unsuccessful bid to provide the Council with the planned next steps to ensure the region attracts the investment required to meet the region's ambitions.

2. RECOMMENDATION(S)

That Committee:

- 2.1. Notes the outcome of the bidding process and the decision not to award the North East of Scotland green freeport status;
- 2.2 Notes the government's feedback on the unsuccessful NESGF bid;
- 2.3 Notes that the Chief Officer – City Growth will continue discussions with regional partners and Scottish Government and UK Government officials on any alternative plans to secure inward investment to the North East; and
- 2.4 Instructs Chief Officer - City Growth to continue to work with regional partners and officials in both governments and report back to this Committee with an update on Investment Zones and how they can be delivered in the North East.

3. BACKGROUND

- 3.1 In May 2021 the Council's City Growth and Resources Committee were presented with a report on the feasibility of a regional bid for a green freeport. The Committee agreed to support a single regional bid from the Aberdeen City Region. The bid was submitted by Aberdeen City Council, Aberdeenshire Council, Port of Aberdeen, Peterhead Port Authority and Aberdeen International Airport to the two Governments on the 22 June 2022, and the notification on outcome of the bid was issued on 13 January 2023.

- 3.2 In addition, the bid was approved by an Interim NESGF Board comprised of, Elected Members representing the two Councils, senior executives of the ports, Opportunity North East (ONE), Energy Transition Zone Ltd, Storegga Ltd, SSE, University of Aberdeen. STUC were intending to join the board, had the bid being successful. It was independently chaired by Mr Andrew Ritchie.

The Bid

- 3.3 NESGF encompassed Aberdeen, Peterhead and St Fergus and an illustration of the general NESGF zone is provided in Appendix 1 to this report. The bid was based on the driving force of regional and national economic prosperity provided by offshore oil and gas exploration to an established global energy leader, promoting decarbonisation and growth across key regional industries. Green Freeport status was noted as being a fundamental requirement to achieve the necessary re-pivoting requirements of the region. The bid articulated how all the green freeport policy objectives could be delivered by NESGF, including 32,000 high-quality jobs, £8.5bn additional GVA and continuing within the Zone regional net-zero by 2045. NESGF was estimated to generate £896m in retained business rates, which would have funded the delivery of an ambitious programme of interventions and investments aligned to Green Freeport objectives.
- 3.4 These benefits would be driven by a number of levers including tax sites to incentivise new inward investment and stimulate innovation. Tax reliefs such as those now available in the two winning bids provide increased allowances for investment in site acquisition, building renovation, plant and machinery purchase. The NESGF, tax sites availing from these levers were primed to target underrepresented groups in areas of deprivation. Similarly, a government-backed business rates retention scheme would secure investment in regional connectivity, skills, and innovation.
- 3.5 As well as these quantifiable benefits the proposal also gave commitment to the total development of over 500 ha; and expansion and acceleration of key projects such as Acorn, ScotWind, INTOG and those associated with green hydrogen. The proposal also included an approach for streamlined decision making on planning within the proposed zone, 'simplified planning zones', that could be used to promote investment and for the two planning authorities to take a greater strategic approach to green freeport developments. This need will remain as INTOG and ScotWind licensing rounds are being implemented, and development is likely to include Marine Scotland.
- 3.6 The submitted bid acknowledged the investments to date by the two governments through the Aberdeen City Region Deal, the Port of Aberdeen expansion of Aberdeen Harbour South, the Energy Transition Fund and the Just Transition Fund, but argued that with green freeport status, and in particular the levers it offered to attract new investors to Scotland, located in the North East, NESGF would amplify the value of these investments and ultimately retain, strengthen and attract high-skilled workers and world-class reputation as a global energy and innovation hub.

- 3.7 The bid argued that without Green Freeport designation, commercial floorspace will not be developed to the same scale or pace needed to deliver regeneration and support strategic ambitions. It will be less attractive for FDI to invest, innovate and train people, and there is a risk that the region will face economic decline. Designation would ensure that the region realises its growth potential, remains a global energy leader, delivers just transition, net-zero and high-quality jobs for all and establish a new era for the region.

Outcome

- 3.8 On 13 January 2023, the Chief Officer - City Growth, in his role as SRO for the NESGF bid received notification that the NESGF bid had been unsuccessful. The two successful Scottish Green Freeports, Forth Green Freeport and Opportunity Cromarty Firth were officially announced on 14 January 2023.
- 3.9 A follow up meeting with officials from both governments and the consortium partners provided feedback on the process and how the NESGF bid scored (Low, Medium or High) against the key policy objectives. A published summary is provided in Appendix 2 to this report and is summarised in the Table below:

Table 1: NESGF Bid Outcome

Green Freeport Objectives	NESGF Score
Promoting regeneration <i>and</i> high quality job creation (main policy objective)	Medium and High
Promote decarbonisation and a just transition to a net zero economy	Medium
Establishing hubs for global trade and Investment	Medium
Fostering an innovative environment	Medium
Deliverability of proposal effectively at pace	High
Level of private sector involvement in proposal	Medium

- 3.10 A general comment about all criteria was the challenge of deadweight (what is being delivered anyway), and what is therefore 'above and beyond' as a result of the Green Freeport. For example, a 'medium' score for global trade and investment, was, for an area that the North East excels in, surprising. For the purposes of this competition, there was a view that winning bids with immediately available, serviced and consented sites in response to offshore wind or private sector involvement would score better.
- 3.11 Similarly, officers conclude that there was a challenge for the North East bid to perform as well in delivering the scale of economic benefit that was directly attributable to the green freeport award. Its award would deliver these additional benefits for both regeneration and jobs, trade and investment, decarbonisation and innovation, above and beyond what was being delivered under existing government investments.
- 3.12 There was acknowledgement that due to the relative 'performance' of the socio-economic characteristics of the NESGF, as measured by Standard Indices of Multiple Deprivation, it was more difficult to score as well as other bidders and their relative deprivation.

Next Steps

- 3.13 The case and rationale for a special economic zone in the North East of Scotland remains as strong now. And as the Green Freeport bid has shown, the value to the region is from the powers and levers that this type of inward investment policy can deliver. Both governments have committed to working with unsuccessful bidders to consider whether and how it might be possible to build on aspects of their plans outside the Green Freeports programme, to deliver jobs and growth – the NESGF is in a strong position given the nature of the collaboration, the engagement with inward investors, developers and landowners and the outcomes proposed.
- 3.14 It is highly unlikely that there will be additional Green Freeports, and therefore the UK and Scottish Government are actively discussing the UK government's evolving thinking on Investment Zones and how they may work in Scotland. The UK Government envisages a very smaller number of Investment Zones in Scotland but has yet to confirm how these will be designed, selected, and delivered. Officers do, however, anticipate that Investment Zones are likely to be selected according to their contribution towards government policy goals and not through a competitive process.
- 3.15 For England, the previous guidance on Investment Zones states that these Zones will benefit from lower taxes, where businesses in designated sites will benefit from time-limited tax benefits and accelerated development. Development sites may be co-located with, or separate to, tax sites, depending on what makes most sense for the local economy.
- 3.16 A policy paper on Investment Zones was published by the UK Government for the 2023 Spring Statement. This identified that there will be at least one investment zone in each of the devolved administrations. At the time of reporting to Committee, there are no further details on the process for Scotland and officers will continue to consult with officials in both governments.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no legal implications as a result of this report's recommendations.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no negative environmental implications as a result of this report's recommendations.

7. RISK

7.1 Risk Appetite

The assessment of risk contained within the table below is consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Failure to build on the NESGF bid may impede the NESGF vision and ability of the region to bring about the desired Just Transition to Energy Transition and diversification of the economy.	Working with Regional Partners, the Regional Economic Strategy will provide a framework for delivering a Just Transition. Partners will continue to meet with stakeholders and governments to review how these plans can be accelerated.	M	Yes
Compliance	None			
Operational	.None			
Financial	There is a risk that activities outlined in the NESGF plan are not funded and do not happen	Regional partners, through the RES will work with UK and SG as well as the External Funding & Sponsorship Team to develop bids for future funding.	M	Yes
Reputational	There is a reputational risk that the region does not meet its ambitions outlined in the NESGF bid and subsequent RES	Partners will work with both governments to unlock funding and progress mutually imperative actions	M	Yes
Environment Climate	Failure to accelerate the Green Freeport action plan may impede the scale	Partners will meet with stakeholders and governments to collectively review and agree how	M	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
	and pace of delivery of the NESGF & RES visions and the Council's ambitions for decarbonisation by 2026	decarbonisation in this spatial area can be supported and ensure this is reflected in the Regional Economic Strategy		

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Aberdeen City Council Policy Statement	<p>The proposals in this report support the delivery of the Partnership's Policy Statement:</p> <p>Campaign for Aberdeen to be the home of a new Green Freeport and ensure that fair work conditions and Net Zero ambitions are central to any bid.</p> <p>Review and update the Council's inward investment strategy</p>
<u>Aberdeen City Local Outcome Improvement Plan</u>	
Prosperous Economy Stretch Outcomes	<p>The proposals in the North East Green freeport bid and subsequent RES support the delivery of supporting 400 unemployed Aberdeen city residents into Fair Work by 2026</p> <p>The actions will also contribute to upskilling/ reskilling 500 Aberdeen city residents to enable them to move into economic opportunities as they arise by 2026</p>
Prosperous People Stretch Outcomes	<p>The proposals in the North East Green freeport bid and subsequent RES will support the delivery of stretch outcome 7 – 95% of children living in priority neighbourhoods will sustain a positive destination upon leaving school by 2026</p>

Prosperous Place Stretch Outcomes	The proposals in in the North East Green freeport bid and subsequent RES support the delivery of stretch outcome 13 – reducing Aberdeen’s carbon emissions by at least 61% by 2026
Regional and City Strategies	NPF4, The Regional Economic Strategy, Aberdeen City Region Deal, the Regional Skills Strategy, the Net Zero Vision for the city (and supporting ‘Route Maps’) and the Local Development Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	IIA is not required at this stage, however the NESG bid included an integrated impact assessment of the proposals.
Data Protection Impact Assessment	DPIA is not required.
Other	None

10. BACKGROUND PAPERS

- 10.1 City Growth & Resources Committee Report on the Feasibility of an Aberdeen Region Greenport Bid - COM/21/121

11. APPENDICES

- 11.1 Appendix 1 – Plan of NESGF
- 11.2 Summary of Government Feedback on the NESGF bid

12. REPORT AUTHOR CONTACT DETAILS

Name	Julie Wood
Title	Service Manager – External Partnerships
Email Address	JRichardWood@aberdeencity.gov.uk
Tel	+44 1224 053762