

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Council
<b>DATE</b>	23 <sup>rd</sup> August 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Land Options within the Energy Transition Zone
<b>REPORT NUMBER</b>	RES/23/287
<b>DIRECTOR</b>	Steve Whyte
<b>CHIEF OFFICER</b>	Stephen Booth
<b>REPORT AUTHOR</b>	Stephen Booth
<b>TERMS OF REFERENCE</b>	Introduction 6

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Council with an updated position on the planning status of sites under Council ownership at Aberdeen South Harbour. The report presents options to collaboratively develop three strategic sites within a strategic partnership with Energy Transition Zone Ltd (ETZ Ltd) and Port of Aberdeen (POA), owned and operated by Aberdeen Harbour Board (AHB) to drive a transition towards renewable energy technologies and sustainable practices. The report also considers how the resulting economic growth and benefits could directly uplift and empower the local community.

### 2. RECOMMENDATIONS

That Council:

- 2.1 Note that the Aberdeen Local Development Plan has now been approved and has designated sites at St Fittick's, Gregness and Doonies for development as part of the Energy Transition Zone (ETZ). The three strategic sites make up around 10% of the total ETZ area;
- 2.2 Note that Gregness OP62 and part of St. Fittick's OP62 is under the ownership of Aberdeen City Council but leased to the Aberdeen Harbour Board who have an option to purchase this land;
- 2.3 Approve that St Fittick's OP56 and Doonies OP61 be made available to support future investment and development in the Energy Transition Zone, whilst also improving local amenity;
- 2.4 Instruct the Chief Officer – Corporate Landlord that the St. Fittick's OP56 and Doonies OP61 sites are only to be made available for lease and must remain in Council ownership and that, furthermore, any such lease agreement is only to be entered into at the point where financial close is reached on a particular development;

- 2.5 Instruct the Chief Officer - Corporate Landlord to enter formal dialogue with Energy Transition Zone Ltd (ETZ Ltd) and Port of Aberdeen (PoA) to discuss the optimum partnership arrangements to take forward the future development of the sites and ensure the delivery of the outcomes identified by ETZ Ltd in their masterplan and in Aberdeen's Regional Economic Strategy;
- 2.6 Instruct the Chief Officer - Corporate Landlord, following consultation with the Chief Officer – Finance and Chief Officer – Governance, to consider as part of such potential partnership arrangements how returns from the sites could be re-invested in both the further development of the Energy Transition Zone and in the local community; and
- 2.7 Instruct the Chief Officer – Corporate Landlord to report the outcome of these discussions to the meeting of the Finance and Resources Committee in December 2023.

### **3. CURRENT SITUATION**

- 3.1 Aberdeen's economy has long been anchored to the oil and gas industry, making it highly susceptible to market fluctuations and shifts in global energy demands. As climate change concerns intensify, there is increasing pressure to decarbonise and adapt to a low-carbon economy. This approach has been endorsed in both the Regional Economic Strategy and the Council's ambitions to reach Net Zero and is key to future jobs and the region's competitiveness on the global stage.
- 3.2 In line with the 2015 Regional Economic Strategy, and subsequent City Region Deal, Aberdeen Harbour Board worked collaboratively with partners to deliver the extension to Aberdeen South Harbour. As part of this programme, Aberdeen Harbour Board took a short-term lease of four parcels of land in December 2016 and subsequently entered into an options agreement over three of those areas (the agreement excluded Walker Park). The option agreement provides that Aberdeen Harbour Board can trigger the option to purchase or agree a long-term ground lease of all or parts of the land.
- 3.3 In April 2021, Energy Transition Zone Ltd (ETZ Ltd) was established with the objective of positioning the North East of Scotland as a global leader in energy transition to net zero and becoming a net exporter of low-carbon products, services, technologies, and skills. Funded by the UK (United Kingdom) and Scottish Governments and Opportunity North East Ltd, ETZ Ltd operates as a private sector-led not-for-profit company with a clear commercial focus. ETZ Ltd have been successful in obtaining grant funding to service development sites in the Energy Transition Zone.
- 3.4 ETZ Ltd aims to create an integrated energy cluster focussed on delivery of net zero. The company will play a pivotal role in accelerating the delivery of net zero within Scotland and the UK by providing on-shore infrastructure to support and service established, emerging, and future low-carbon energy activities within a net zero exemplar environment.

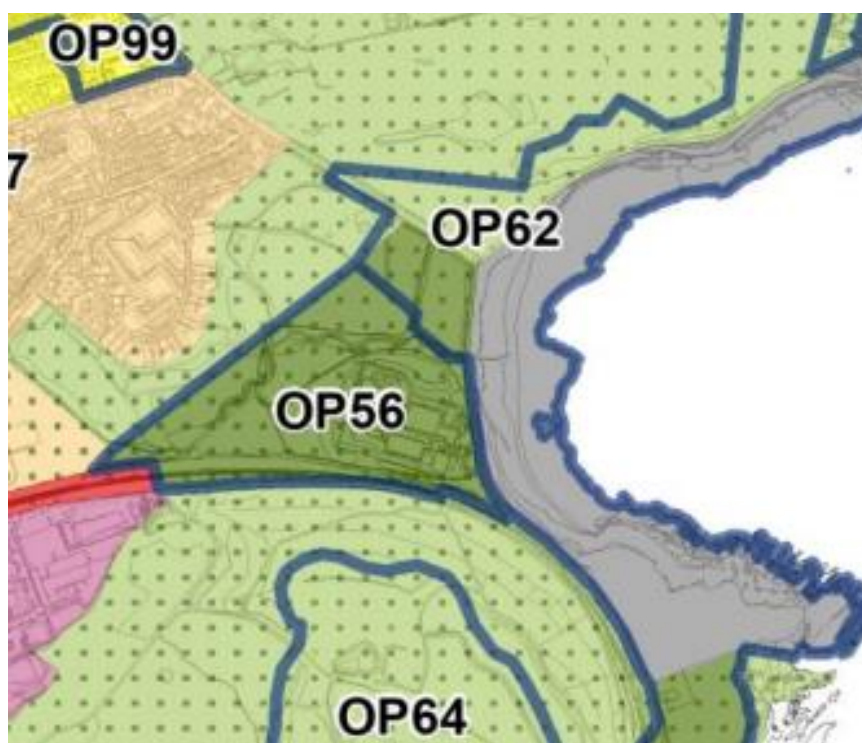
- 3.5 One of the key objectives of ETZ Ltd outlined in 1.1 of their masterplan is to ensure that any financial benefit from public sector funding or future income is reinvested into common interests for the benefit of all, promoting the development of energy transition activities in the region.
- 3.6 ETZ Ltd have recently submitted their masterplan for the Energy Transition Zone to Aberdeen City Council and this is currently undergoing a period of consultation. The Masterplan aligns with the adopted Local Development Plan and outlines the ambitions for the Energy Transition Zone, including detail on proposed community and environmental mitigations and enhancements. The Masterplan also describes how the three strategic sites identified contain a range of environmental and infrastructure assets, and the LDP (Local Development Plan) recognises that potentially significant opportunities exist in the area for net zero development and specialist port co-located activity.

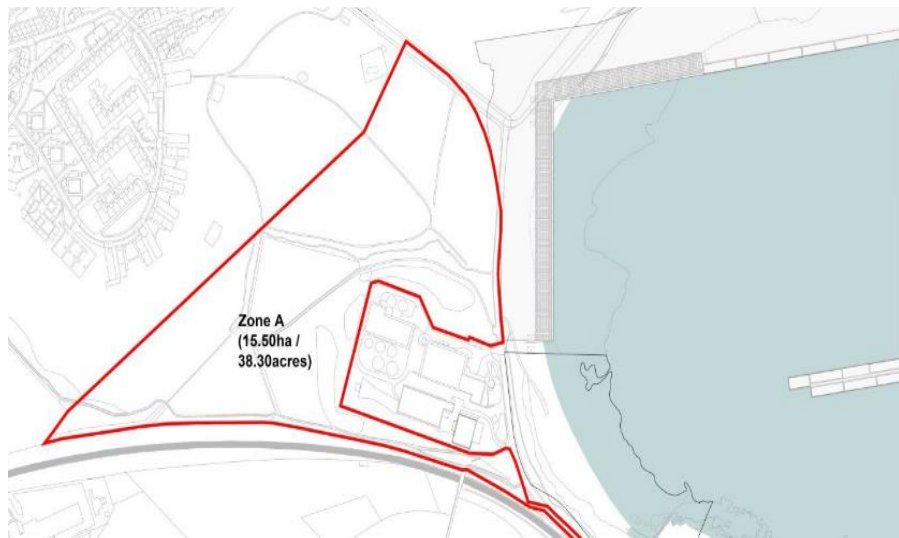
## Land

- 3.7 St. Fittick's (OP56 in LDP) is in Aberdeen City Council ownership. Aberdeen Harbour Board have an option over part of the area OP62 which is likely to be exercised.

At this stage, significant capital expenditure will be required to enable and service land suitable for future investment. The diagrams below show the area of St Fittick's Park that is included in the LDP along with the proposed development plan. ETZ Ltd have secured funding for the development of the site along with a range of environmental and other improvements including play areas, protected walkways, and interpretation.

- 3.8 Plan of St Fittick's

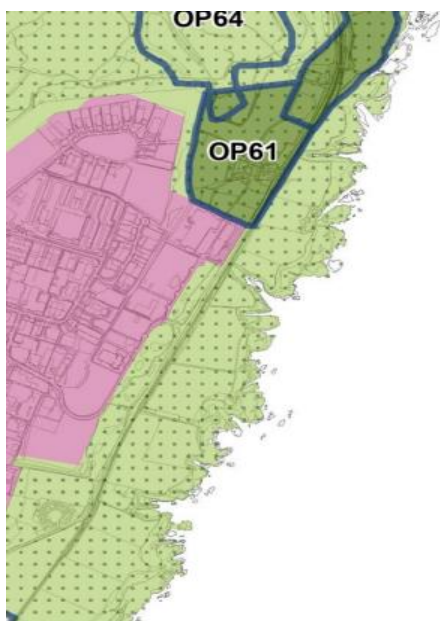


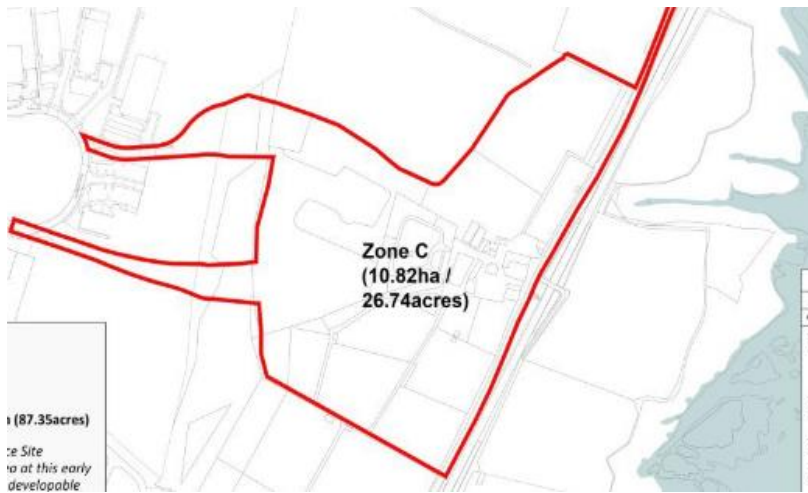


3.9 Doonies (OP61) is a greenfield site currently in agricultural use and in Aberdeen City Council ownership. The agricultural lease will end later this year giving the opportunity for the site to be redeveloped as part of the Energy Transition Zone.

Again, ETZ Ltd have a financial model to service the sites for Energy Transition related uses. The remaining land out with the ETZ will remain in Council ownership and is likely to be offered by ACC for short term agricultural related uses.

3.10 Plan of Doonies

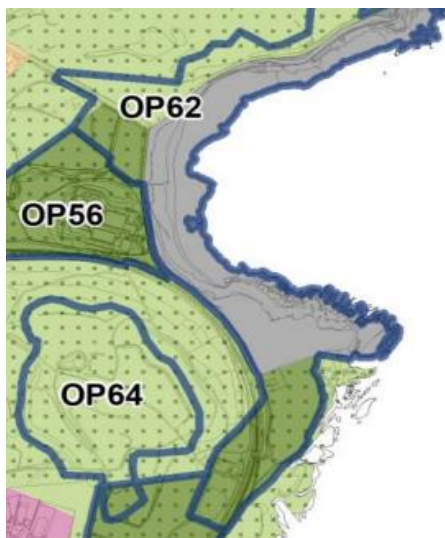




3.11 Gregness (OP62 Part) is under ownership of Aberdeen City Council but leased to the Aberdeen Harbour Board who have an option to purchase which is likely to be exercised. This site includes a substantial workshop facility.

3.12 Plan of Gregness – Aberdeen City Council ownership

Plan of Gregness – Allocation in Local Development Plan 2023





## Options Summary

### 3.12 Option 1 - Do Nothing

If partners do not work together to develop these key strategic sites, it would be a missed opportunity for Aberdeen to diversify its economy and adapt to the changing energy landscape.

It would limit the ability to secure a return on the investment in the Energy Transition Zone and the Aberdeen South Harbour Expansion and limit investment to fund ongoing operations and improvements to the zone/community. Continued reliance on the oil and gas sector may lead to economic stagnation and vulnerability to market volatility. Furthermore, failing to address climate change and reduce carbon emissions could have severe environmental impacts, affecting the well-being of the community and potentially attracting regulatory penalties.

Taking no action would hinder the city's progress towards a sustainable future and could lead to social and economic disparities among residents who would otherwise benefit from investment in the community.

### 3.13 Option 2 – Development by Aberdeen City Council

Consideration has been given to the Council developing the sites in isolation. This has been discounted for several reasons: -

- Inability to attract sufficient external funding to service sites
- Financial risk to the Council
- Abortive costs to ETZ Ltd in the significant planning and design development works undertaken to date.

- Loss of ability to jointly promote the sites area.
- Existing options arrangements Aberdeen Harbour Board has on sites

### 3.14 **Option 3 – Sale of Sites**

Consideration has been given to the Council simply selling its interest in the sites to a 3<sup>rd</sup> party, which would create the lowest risk to the Council. This has been discounted for the following reasons: -

- Guarantee of external funding being delivered on sites
- Lack of control over future development
- Lack of ability to ensure sites used for intended use
- Lack of ability to directly benefit local community from the development.

### 3.15 **Option 4 – Development in partnership with ETZ Ltd and PoA**

Conversations have taken place with ETZ Ltd over the future development of the sites and several opportunities have been discussed including a Joint Venture, with the potential to work collectively with the PoA (Port of Aberdeen) to promote the area and create the level of transformation and economic benefit envisaged.

A Joint Venture model with partners could:

- Secure external funding for site works
- Retain control over the type and scale of development
- Ensure development is taken forward
- Ensure the sites are properly promoted to create the best economic return
- Allow opportunities to be explored around the re-investment of any return in both the Energy Transition Zone and community.
- Optimise the use of ETZ funding by ensuring a VAT (Value Added Tax) efficient model, which will benefit the overall project

How a Joint Venture model could function requires to be worked up in further detail along with a range of other workstreams including further work on the financial model, site investigations, marketing approach etc.

Further to advancing these discussions, officers are seeking a decision that the Council approve the sites being taken forward as part of the Energy Transition Zone development.

If approved, a future report will be brought back identifying the optimal structure to allow the region to benefit from ETZ Ltd related funding.

The basic premise would be that the Council would contribute the land, ETZ Ltd would bring the funding to service the sites, and the parties would work together to find occupiers and a development model for developing the service sites. ETZ Ltd would be lead agency and carry the development risk with returns being reinvested in the Energy Transition Zone and local community.

### **3.15 Conclusions**

By leveraging the Council's and partners' assets and capabilities, the recommended option is to work in partnership to develop sites, to ensure that these sites become a catalyst for positive change, establishing Aberdeen as a hub for high value manufacturing, research, development, and implementation of cutting-edge technologies, supporting the community and contributing to a more sustainable and prosperous future aligned to the Regional Economic Strategy.

3.16 The proposed partnerships with ETZ Ltd and Port of Aberdeen will: -

- offer an innovative approach to leveraging public and private sector expertise and resources in the pursuit of net zero objectives.
- place significantly less pressure on Aberdeen City Council resource.
- streamline delivery of investment and demonstrate far stronger commitment to both investors and community.
- give the ability to secure the return of ETZ Ltd investment to fund ongoing operation and improvements to the Energy Transition Zone and local community.

## **4. FINANCIAL IMPLICATIONS**

4.1 There are no direct financial implications arising from the recommendations of this report. Further details of all financial implications will be considered in a future report.

## **5. LEGAL IMPLICATIONS**

5.1 There will be no direct legal implications until further discussions are held in relation to the nature and structure of any Joint Venture arrangement. Such discussions would require consideration of such matters such as:

- Subsidy Control
- Any community interest and options for community development funding
- Best Value for Council land

## **6. ENVIRONMENTAL IMPLICATIONS**

6.1 The proposed Joint Venture with ETZ Ltd aligns directly with Aberdeen City Council's commitment to environmental sustainability and achieving net zero objectives. By supporting energy transition projects, the joint venture will contribute to reducing carbon emissions and promoting environmentally friendly practices.

6.2 Partnership Agreements such as a Joint Venture strongly align with the core objectives and strategies of Aberdeen City Council (ACC) and play a pivotal role in achieving its business goals and long-term plans. As ACC collaborates with ETZ Ltd to establish new renewable energy sites across the city, formal partnerships directly support ACC's existing policies and strategies aimed at addressing climate change, promoting sustainable economic development, and transitioning towards a net-zero future.



- 6.3 ACC's vision, as outlined in the document "A climate-positive city at the heart of the global energy transition - A Vision & Prospectus for Aberdeen," focuses on making the city climate-positive while leading the world's rapid shift to a net-zero future. Leveraging its unique assets and capabilities to support the global energy transition, ACC aims to position Aberdeen as a pioneering city in the fight against climate change.
- 6.4 By supporting investment in renewable energy infrastructure and technology, ACC is taking a significant step towards realising its ambition of becoming a climate-positive city. The establishment of new renewable sites in partnership with ETZ Ltd signifies ACC's dedication to promoting clean energy adoption and reducing greenhouse gas emissions.

## 7. RISK

- 7.1 The recommendations contained within this report and the assessment of risk contained within the table below have been carefully considered against the Council's Risk Appetite Statement. The proposals set out in the recommendations are consistent with the Council's approved Risk Appetite Statement.
- 7.2 The full risks of Partnership/JV models will be reported back to Committee once the heads of terms have been established.

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?
<b>Strategic Risk</b>	If partners do not work together to develop these key strategic sites, it would be a missed opportunity for Aberdeen to diversify its economy and adapt to the changing energy landscape.	Approve the recommendations within this report.	L	Yes
<b>Compliance</b>	Compliance with relevant commercial legislation including trading, procurement, and Subsidy Control.	Full legal review of proposals to be completed prior to entering into any agreements.	L	Yes
<b>Operational</b>	The sites if empty will require	Risks in this area will be managed in	L	Yes

	continued management by the council.	line with the risks around all council land and buildings.		
<b>Financial</b>	A Joint Venture does not perform against the financial model	The financial model will be overseen and managed by the ETZ Board which includes observers from ACC and UK/SG so early intervention for alternative models can be addressed if required.	M	Yes
<b>Reputational</b>	<p>Failure to obtain Council approval to enter into partnership agreements to develop land may impact on the reputation of the Council and Aberdeen's leading position in Energy Transition and its commitment to support ETZ Jobs and Skills plan that was submitted to ACC.</p> <p>The proposals, if delivered, will see greenfield land developed for business use, which may create some objections within the local community and beyond.</p>	<p>Approve the recommendations within this report.</p> <p>ETZ Ltd have already undertaken significant community engagement, along with the LDP having gone through external scrutiny. A range of environmental improvements are proposed as part of the project.</p>	L  M	Yes
<b>Environment / Climate</b>	Failure to obtain approval to enter partnerships to develop land may impact on Aberdeen's Net Zero Targets	Approve the recommendations within this report. The submitted ETZ masterplan and future PPIP application will consider environmental impacts in detail and will seek to achieve net positive enhancement on biodiversity and a range of measures to mitigate any environmental impacts, for example a commitment to improve current poor	L	Yes

		water quality in East Tullos Burn		
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## 8. OUTCOMES

<u><a href="#">COUNCIL DELIVERY PLAN 2023-2024</a></u>	
	<b>Impact of Report</b>
<p><b>Aberdeen City Council Policy Statement</b></p> <p><u><a href="#">Working in Partnership for Aberdeen</a></u></p>	<p>The proposals in this report support the following aspects of the Policy Statement:</p> <p>Empowering Aberdeen's Communities:</p> <ul style="list-style-type: none"> <li>• The actions recommended in the report will not only empower Aberdeen's communities but also ensure that a portion of the revenues generated from various initiatives is reinvested directly back into the community.</li> <li>• Through these efforts, local communities will have greater control over the services and facilities they need, leading to more impactful and tailored solutions that directly address their specific needs and aspirations.</li> <li>• Enabling residents to have a say in spending priorities and ensuring that a fair share of resources goes back into the neighbourhoods that contribute to the city's prosperity.</li> </ul> <p>Building a Greener and Sustainable City</p> <ul style="list-style-type: none"> <li>• The report's emphasis on a Joint Venture (JV) partnership with ETZ Ltd to pursue net-zero objectives demonstrates a commitment to addressing the climate emergency.</li> <li>• By working with partners, including the private sector and the government, the report aims to ensure a just transition to a carbon-neutral economy and promote sustainable economic development.</li> </ul> <p>A Prosperous City</p> <ul style="list-style-type: none"> <li>• The report acknowledges that Aberdeen and the North East have been significant drivers of the Scottish and UK economies. To ensure continued prosperity, the report emphasises the need for a genuine partnership with the private sector, third sector, residents, and the government.</li> <li>• The report advocates for the development of a sustainable and inclusive economy, in line with the managed transition to a carbon-neutral economy. By stimulating sustainable economic development and collaborating with businesses, the report aims to foster innovation and entrepreneurship, creating new employment opportunities and driving economic growth.</li> </ul>

[Aberdeen City Local Outcome Improvement Plan 2016-26](#)

<p>Prosperous Economy Stretch Outcomes</p>	<p>The planned JV will contribute to all three economy stretch outcomes.</p> <p>Outcome 1: No one will suffer due to poverty by 2026: The joint venture, through its business activities and economic initiatives, can create job opportunities and stimulate economic growth in Aberdeen. By generating employment and income opportunities for the local population, it can help uplift individuals and families out of poverty.</p> <p>Outcome 2: 400 unemployed Aberdeen City residents supported into Fair Work by 2026: Formal partnerships such as a joint venture can play a vital role in supporting the Fair Work agenda by offering employment opportunities to unemployed residents in Aberdeen. Through its operations and workforce requirements, a joint venture can actively collaborate with local employment agencies and training institutions to identify and recruit suitable candidates. Moreover, it can work to ensure fair wages, equal opportunities, and employee well-being, fostering an environment of Fair Work for its workforce.</p> <p>Outcome 3: 500 Aberdeen City residents upskilled/ reskilled to enable them to move into, within and between economic opportunities as they arise by 2026: A joint venture will be committed to driving Aberdeen's transition towards a sustainable, net-zero future. As part of this vision, the joint venture recognises the significance of a just transition from traditional oil and gas industries to the burgeoning green economy. The initiative will not only create employment prospects for individuals but also contribute to a greener and more resilient economy that benefits the entire community.</p>
<p>Prosperous People Stretch Outcomes</p>	<p>The planned Joint venture is poised to play a vital role in supporting the delivery of Stretch Outcome 7, which aims to ensure that "95% of children living in our priority neighbourhoods (Quintiles 1 &amp; 2) will sustain a positive destination upon leaving school by 2026."</p> <p>Through its commitment to fostering a green economy and sustainable job creation, the joint venture will create opportunities for skill development and employment within these priority neighbourhoods. By providing avenues for young people in these areas to access meaningful and stable career options, the joint venture aims to contribute significantly to the achievement of this Stretch Outcome. By empowering and uplifting the communities in SIMD (Scottish Index of Multiple Deprivation) Quintiles 1 &amp; 2, the joint venture aims to enhance social mobility, reduce disparities, and provide a brighter future for the youth in these neighbourhoods.</p>
<p>Prosperous Place Stretch Outcomes</p>	<p>The planned joint venture, in collaboration with ETZ Ltd, holds great promise in supporting the delivery of Place</p>

	<p>Stretch Outcome 13, which is centred around addressing climate change by committing to reduce Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate.</p> <p>ETZ Ltd, as a key partner in this endeavour, brings expertise in sustainable technologies and renewable energy solutions. By leveraging ETZ Ltd.'s knowledge and experience, the joint venture aims to play a vital role in facilitating the region's transition away from its historically dominant oil and gas sector. This transition will not only contribute to emission reduction targets but also create new job opportunities in green industries and foster the development of innovative technologies that align with the city's sustainability goals. Together, they will pave the way for a greener and more resilient future for Aberdeen and its communities, shaping the region as a hub for sustainable practices and advancements in the face of the global climate challenge.</p>
<p><b>Regional and City Strategies</b></p>	<p>The proposals in this report demonstrate a joint venture with the established ETZ Ltd which will further enhance the Local Development Plan, the Strategic Development Plan, and Regional Economic Strategy, as well as the Regional Skills Strategy, City Centre Masterplan and Net Zero Route map.</p> <p>The joint venture will collaborate with ETZ Ltd to develop three key sites across Aberdeen, driving substantial investments, job creation, and skill development in the energy transition sector. By synergising efforts with ETZ Ltd, the joint venture aims to accelerate the region's transition away from a dominant reliance on the oil and gas sector, actively promoting the adoption of renewable energy technologies and sustainable practices. This collaboration will unlock new employment opportunities, stimulate innovation, and fortify the city and region's economic future, contributing significantly to Aberdeen's carbon emission reduction targets and effectively addressing the impacts of climate change.</p>

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not required at this stage.
Data Protection Impact Assessment	Not required
Other	Not required

## 10. BACKGROUND PAPERS

10.1 [ETZ Draft Masterplan March 2023 V8 update clean \(aberdeencity.gov.uk\)](https://www.aberdeencity.gov.uk)

## 11. REPORT AUTHOR CONTACT DETAILS

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