

Green ports: Delivering Freeports for Scotland

Applicant Prospectus (DRAFT)

DRAFT

March 2021

Preface

Based on the UK Government's Freeports Bidding Prospectus for England¹, this document sets out in detail the key elements where the Scottish Government has adapted the model for England to fit with the Scottish context, applying Scottish Government priorities to it to create the 'green port' model.

In partnership with the UK Government, the Scottish Government intends to seek green port proposals from applicants, or multi-applicant partnerships, in due course – subject to agreement with the UK Government.

This document sets out the key elements that differ from the bidding prospectus for England, including the core policy objectives and expected outcomes of the green ports bidding process and the measures relating to devolved responsibilities, namely within the tax and planning spheres. Text omitted from this document relates to information on matters reserved to, and/or subject to agreement with, the UK Government. These include sections relating to: the customs and tax sites; customs; reserved tax levers; innovation funding, collaboration hubs and regulatory innovation; preventing illicit activity; governance structures; applicant selection; essential information required from applicants and detailed application information requested from applicants. Prospective applicants can refer to the Freeport Bidding Prospectus for England for details of those sections, with which the Scottish Government intends the green port process to align.

The final Applicant Prospectus for green ports in Scotland will be published in due course, subject to agreement with the UK Government.

¹ UK Government (2020), Freeports bidding prospectus – <https://www.gov.uk/government/publications/freeports-bidding-prospectus>

Contents

Introduction and context	5
Section 1. Objectives	8
Government objectives	8
1.1. Promote regeneration and job creation through inclusive and sustainable growth	10
1.2. Establishing hubs for global trade and investment.....	12
1.3. Just transition to a net zero economy	13
1.4. Drive fair work	14
1.5. Foster an innovative environment.....	16
1.6. Logic model	17
1.7. Expected outcomes	17
Section 2. Economic levers and design of interventions	21
2.1. Green port geography	21
2.2. Subsidy control	24
2.3. Trade and investment support.....	24
2.4. Tax (devolved).....	25
2.5. Planning.....	26
2.6. Regeneration and infrastructure	28
2.7. Innovation.....	29
2.8. Wider government funding.....	29
Section 3. Delivery requirements	30
3.1. Contribution to decarbonisation and environmental impact.....	30
3.2. Preventing illicit activity.....	31
3.3. Equalities impact.....	31
3.4. Monitoring and evaluation.....	32

DRAFT

Introduction and context

1. The global challenges posed by the COVID-19 pandemic, the climate emergency and an ageing population are driving significant changes to many aspects of our lives and our economy. Scotland is well positioned to tackle many of these challenges. The long-term strength and sustainability of our economy will come through building on the talents of our people, the excellence and deep knowledge base of our academic institutions and the entrepreneurial spirit of our businesses to build world-leading capability in the key technologies of the future. Values are important to Scotland, and they have never been more important to global businesses. Our values centre around a net zero economy with the principles of fair work and sustainable, inclusive growth at its heart. Scotland is well placed to support global businesses to achieve their future ambitions where there is strong alignment with the technologically enabled, net zero, inclusive wellbeing economy we are seeking to create. The Scottish Government will partner with businesses that share these principles and work to improve their trading environment, delivering fair work, while making a just transition to net zero.
2. This document is guided by the UK Government's holistic Freeport vision to increase trade and investment to regenerate left behind communities across the UK; and the Scottish Government's [Economic Strategy](#) and the trade principles set out in [Scotland's Vision for Trade](#); namely inclusive growth, wellbeing, sustainability, net zero, and good governance. It is also underpinned by the Fair Work Convention's Fair Work Framework, aiming to boost productivity by developing Scotland as a world-leading Fair Work Nation.
3. In August 2019, the UK Government announced its intention to establish Freeports to help regenerate communities across the UK by unlocking the economic potential of UK ports. Subsequently, a consultation was launched in February 2020. Since then both the Scottish and UK Governments have been in dialogue with stakeholders. The UK Government has been working with ports,² businesses, local authorities and wider stakeholders to design a brand-new, bespoke model, with a comprehensive package of measures designed to boost trade, employment and innovation. Simultaneously, the Scottish Government has been in dialogue with the private sector, local authorities, and wider stakeholders with the aim of designing a model which best suits the Scottish context. When the UK Government launched the Freeports Bidding Prospectus for England, a commitment was made to work with the Devolved Administrations to ensure all four nations of the UK could benefit from Freeports. When that process was launched, the UK Government was clear that separate processes would run in each nation to ensure that local conditions and priorities are considered as part of the allocation process and to account for differences between nations where policy levers are devolved. This allowed the Scottish and UK Governments to work together to develop proposals that reflect our joint values and to ensure that businesses, ports and communities from across Scotland can benefit from the green port opportunity.

² Please note, references to "ports" within this document include air, sea and rail ports unless otherwise stated.

4. The Scottish Government tailored the model used by the UK Government for Freeports in England in order to explicitly reflect specific Scottish Government policies on fair work and delivering a net zero economy; however, the main policy levers have specifically been designed to ensure there is a consistency of offer across the whole of the UK. The Scottish Government views the green port model as representing an inspirational exemplar in the drive to create high value jobs providing fair and rewarding work. In addition, Scotland's green ports will have the opportunity to lead the way on decarbonising Scotland's economy while realising inclusive growth. Many features of the way green ports in Scotland and Freeports in England operate will be exactly the same. However, green ports will be expected to exemplify specific Scottish Government commitments to fair work, a net zero economy, and being an innovative, vibrant trading nation.
5. Scottish green port applicants must aim to add value to Scotland's economic activity and the country's brand, facilitating implementation of the Scottish Government's three cornerstone international economic plans on exports, investment and capital. We invite businesses to participate in the application process, demonstrating how they can partner with us to accelerate achievement of these aims in a manner which has fair work and a commitment to net zero at its core.
6. This prospectus is a guide for applicants. It sets out our ambition for green ports, our core objectives, what is expected of applicants, and what an exemplar green port proposal should include. The prospectus provides detail on the limits to green port locations, including clear guidelines on site design and size, and how levers relating to reserved and devolved taxes, planning, regeneration, labour market standards and innovation will work. At each stage, it outlines what applicants are expected to set out in their proposals and how they can maximise the impact of each support measure. Finally, it provides information on how green ports should be governed and delivered, and details of the fair, open and transparent selection process that will determine successful designations.
7. We want green port stakeholders to form localised coalitions, including ports, local and international businesses, academic institutions, local authorities, and Regional Economic Partnerships, to develop ambitious, deliverable green port proposals; setting out why a green port is right for their area, how they will utilise the measures, and how they will deliver and run a successful green port. Both governments recognise that different regions will have different existing strengths, institutions, and local economic strategies. We want to select successful green port locations that account for and take full advantage of the diverse potential and comparative advantage of different regions of Scotland.
8. ***The process is not yet open for applications. Details of how and when to apply will be set out in the final applicant prospectus, once agreed with the UK Government***
9. We will be seeking proposals from applicants, or multi-applicant, partnerships; and are committed to running a fair, open, and transparent selection process to ensure green port locations are selected based on their ability to fulfil our policy objectives.
10. Green port applicants and/or applicant partnerships will be invited to submit their proposals to a dedicated government web portal by [TBC] 2021, following publication

of the final Applicant Prospectus. Successful applicants will be granted seed funding, subject to business case approval, to support governance set-up costs and will work with the Scottish and UK Governments to develop detailed business cases for their spending plans associated with the award of any additional funding offered to green ports.

11. Potential applicants will be able to contact greenports@gov.scot to request clarification on the content of the Applicant Prospectus until [TBC] 2021. A summary of answers provided will then be published online no later than [TBC] 2021.

DRAFT

Section 1.

Objectives

Government objectives

- 1.0.1. This document is the Applicant Prospectus for green ports in Scotland only.
- 1.0.2. Green ports will be expected to contribute to Scotland's National Performance Framework and its National Outcomes. In particular, to help Scotland's people have a globally competitive, entrepreneurial, inclusive and sustainable economy, which is open, connected and makes a positive contribution internationally, with thriving and innovative organisations, high quality and fair work for everyone. More specifically, the Scottish Government wants green ports to be an exemplar in modelling world class regulatory standards, especially on workers' rights and the just transition to a net zero economy. To achieve this, any newly designated area must demonstrate a clear and practical commitment to adopting fair work practices and working towards a net zero economy, while ensuring that Scotland can be at the forefront of innovation and trade.
- 1.0.3. To achieve this, the Scottish and UK Governments have developed a model which will deliver on 5 objectives, all of which need to be fulfilled by applicants:
 - a. Promote regeneration and job creation through inclusive and sustainable growth – our lead policy objective.
 - b. Establish hubs for global trade and investment.
 - c. Contribute to a just transition to a net zero economy.
 - d. Drive fair work practice.
 - e. Foster an innovative environment.
- 1.0.4. No two local economies or ports are the same. To meet the ambition of green ports, **applicants need to reflect on these characteristics, fully utilise their assets, tackle their weaknesses and set out a strategy for inclusive growth founded on these objectives.**
- 1.0.5. **Promote regeneration and job creation through inclusive and sustainable growth** – Operators and businesses in green port designated areas must make links with local communities and wider economic plans being pursued by local government, and its

partners, in the area or region to help deliver high quality jobs and fair work, sustainable and inclusive economic growth and regeneration in the areas which need it most. This will involve detailed consideration of how use of local supply chains can be maximised.

- 1.0.6. **Establish hubs for global trade and investment** –Establishing hubs for global trade and investment, intensifying the economic impact of our ports and generating increased economic activity across Scotland. Investment in and around green ports, as well as imports into them, will be essential to the success of domestic companies and in delivering clean growth, innovation, and job creation. Businesses in green ports will be expected to contribute to enhancing Scotland’s reputation as a vibrant trading nation, ensuring their activity aligns with the core principles in Scotland’s Vision for Trade.
- 1.0.7. **Contribute to a just transition to a net zero economy** – All applicants must demonstrate clear commitment to a just transition to net-zero emissions by 2045 and set out their substantive plan for doing so. This approach to planning will include: working from established, clearly defined baselines for emissions, environmental impact and climate risk management; setting milestones for emissions reductions, enhanced economic growth and wellbeing; and identifying key actions (enablers, barriers, dependencies), opportunities and partners in support of the transition.
- 1.0.8. **Drive fair work practice** – In line with the Scottish Government’s Fair Work First approach, fair work practices shall be adopted by both the operator of the designated zone and all of the organisations benefitting from the new incentives offered by both the Scottish and UK Governments. In addition, applicants are asked to propose additional innovative measures they can introduce to support the Scottish Government’s Fair Work priorities.
- 1.0.9. **Fostering an innovative environment** – Applicants must work to help ensure Scotland can remain at the forefront of innovation by encouraging innovative environments within which to test and trial new technologies.

1.1. Promote regeneration and job creation through inclusive and sustainable growth

- 1.1.1. Green ports should ensure that they align with the Scottish Government's commitment to inclusive growth and sustainable growth. This means growth that combines increased prosperity with greater equality, creates opportunities for all, and distributes the benefits of increased prosperity fairly. Actions for achieving this include; fair work, promoting equality and tackling inequality, closing the attainment gap, and ensuring that place agendas and regional cohesion are shared across Scotland.
- 1.1.2. Green ports should seek to help regenerate communities in Scotland by being a hub for driving inclusive and sustainable growth locally, regionally and nationally by attracting global trade and investment to intensify the economic impact of our ports. Green ports should harness ideas and investment from the private sector to deliver jobs, sustainable economic growth and regeneration in the areas which need it most.
- 1.1.3. The private investment needed to drive this regeneration can be attracted to green ports through a mixture of incentives, good governance, a strong local skills base and the support of government in attracting investment.
- 1.1.4. In their application document and in subsequent operation of the zoned area, the operators and beneficiary businesses must:
 - a. Comply with all good practice in procuring goods and services in Scotland (this would be inclusive of community benefit requirements as defined in the Procurement Reform (Scotland) Act 2014).
 - b. Make links with relevant local authorities to proactively seek to contribute to relevant local and regional plans for inclusive and sustainable growth, including through pursuit of the new community wealth building approach being developed across Scotland.
 - c. Consider how they can benefit local businesses and supply chains and communities via engagement with the local authority and prioritising local recruitment where possible.

Support emerging industrial clusters

- 1.1.5. Green ports should catalyse innovation and develop sectoral clusters – this will involve collaboration with Scotland's enterprise agencies, universities and colleges and agreement of a co-operation action plan.
- 1.1.6. By targeting particular sectors that are present and growing in the local or regional economy, green ports may be able to support emerging clusters. Industrial strengths and clusters can be identified using several methods, from statistics on industries

ranked by local job share to “Economic Complexity Analysis”.

- 1.1.7. As green ports attract fresh investment and become increasingly occupied by similar, or complementary firms, both governments expect other firms wanting to expand into green port areas to benefit from the shared inputs, labour market pooling and knowledge spill-overs that clustering provides.
- 1.1.8. Applicants should give evidence of these emerging clusters in their local economy and how they intend to support them. Evidence of new private sector investment – either from commercial property developers serving those sectors or from occupiers themselves – will be rewarded with a higher assessment against relevant criteria.

Property

- 1.1.9. Applications that propose commercial property development should show how they will enhance these effects through attracting larger “anchor firms” around which other firms can cluster or ensuring that estates are well-designed to promote beneficial mixing of workers. Given the uncertainty presented by Covid-19, proposals should be tested against a number of likely scenarios and, if appropriate, allow for a range of occupier types.
- 1.1.10. Ambition to attract new anchor firms should be underpinned by a Community Wealth Building approach.³ Evidence should be presented of how an applicant intends to encourage new enterprises to e.g. recruit locally and procure goods through local supply chains.

Transport

- 1.1.11. Scotland’s second National Transport Strategy sets out the vision, priorities and outcomes for our transport system alongside the sustainable travel and investment hierarchies which should be embedded in decision making. We will continue to promote efficient and sustainable freight transport for the movement of goods, including modal shift and decarbonisation through the use of grant schemes, new technologies, and business models. These hierarchies should be considered in relation to future proposals alongside the need to ensure the continued safe and efficient operation of our strategic trunk road and rail transport networks. Applicants should ensure they are well-aligned with existing or planned infrastructure investment, consider increased demand for travel in line with Scottish Planning Policy and address gaps in site-viability themselves, while remaining focused on the needs of target sectors. Applicants should ensure that they are aligned with their national, regional and local transport plans (including the national transport strategy) ensuring there is promotion of sustainable transport and active travel where possible, particularly the shift from road to rail and sea.

³ [Cities and regions: Community wealth building – gov.scot \(www.gov.scot\)](https://www.gov.scot/cities-and-regions/community-wealth-building)

Skills

- 1.1.12. Developing local skills is a vital component of green ports. Applicants must show how they intend to align the skills available in the local labour market to the needs of the firms and sectors being targeted by the green port, including support for upskilling in line with local and national skills strategies. It is important that applicants take into account the [Future Skills Action Plan](#) helping to ensure local solutions to skills can be optimised and a sustainable local workforce can access the high-quality jobs created.

1.2. Establishing hubs for global trade and investment

- 1.2.1. Establishing green ports as hubs for global trade and investment will intensify the economic impact of our ports and generate increased economic activity across Scotland, and the wider UK.
- 1.2.2. There are well-established interdependencies between investment and the export and import of goods and services, which may benefit existing businesses in affected areas. Investment in and around green ports, as well as imports into them, will therefore be essential to the success of domestic companies and in delivering on wider objectives such as inclusive growth, transition to net zero, innovation, job creation and labour market standards.
- 1.2.3. Much of what a green port will be able to deliver in terms of economic value will derive from activity within the port footprint. Green ports will reflect on the strategic importance of ports in terms of Scotland's international connectivity and the role they play in ensuring that Scotland's internal supply chains are fit for purpose.

Investment

- 1.2.4. The economic impact that international investment has on host economies is well established and is particularly important to Scotland with the benefits secured from good inward investment including employment, higher wages, productivity gains, and increased exports spread across many of our regions in a number of key sectors. Inward investment lifts wages across the country, bringing higher wage benefits at both a regional and a national level.
- 1.2.5. **Applicants should demonstrate how the green port will bring new investment into the surrounding areas and increase trade through the designated site, in line with the Scottish Government's inward and capital investment plans, [Scotland's Vision for Trade](#) and the UK Government's levelling up agenda.**
- 1.2.6. **Applicants should also show how they will work with local and international businesses to enhance the impact of increased investment in the wider region, and the country as a whole, in a way that supports sustainable, inclusive growth which, creates opportunities for all, distributing the dividends of increased prosperity fairly.**

This should include a view of any investment projects that the green port could help to deliver and a view of the sectors they will target within the region – in particular, how it will support inclusive growth in the nine opportunity areas prioritised in Scotland’s inward investment plan, [Shaping Scotland’s Economy](#), and how it will align with the UK Government’s levelling up agenda.

Trade

- 1.2.7. In addition to the increased investment, green ports provide businesses and ports with the opportunity to improve current practices and benefit from customs facilitation easements that are not available elsewhere to maximise development opportunities that would not be available elsewhere. Pursuing new trade opportunities should be done in line with the core principles in Scotland’s Vision for Trade: inclusive growth, wellbeing, sustainability, net zero and good governance. We expect organisations based in green ports to adopt fair and ethical business practices, conduct appropriate due diligence on business partners and to be aware of local business conditions in export markets.
- 1.2.8. **Applicants should outline how they envisage their green port will further internationalise Scotland’s economy, generate sustainable trade growth and enable trade processes to become easier and more efficient. This should be in line with the Scottish Government’s export growth plan, [Scotland: A Trading Nation](#), [Scotland’s Vision for Trade](#), and the UK Government’s levelling up agenda.**
- 1.2.9. Applicants should also indicate which sectors would benefit from having a green port (e.g. to assist with any necessary import/export checks, support their supply chain needs or increase their exporting potential).

1.3. Just transition to a net zero economy

- 1.3.1. Operators and beneficiary businesses must support Scottish Government climate change ambitions. **Applicants will present a robust plan of action setting out how they intend to contribute to a just transition to net zero emissions by 2045, including how they can facilitate decarbonisation of the beneficiary organisations.** In support of a just transition, this planning approach will demonstrate support for decent, fair and high-value work; low-carbon investment and infrastructure; meaningful engagement with relevant stakeholders and partners (such as workers, local communities and local authorities).
- 1.3.2. Planning for just transition will capture a number of elements identified elsewhere in this document, with particular consideration of inclusive growth/wellbeing economy; fair work; engagement with workers and local communities; skills development; the Youth Guarantee; low carbon investment.
- 1.3.3. An applicant’s approach to planning will (a) work from established, clearly defined

baselines for emissions, environmental impact and climate risk management; (b) set targets and milestones (in line with Scotland's net-zero ambition) for emissions reductions and economic growth and wellbeing in a net-zero economy and (c) identify and sequence key actions (enablers, barriers, dependencies), opportunities and partners across different actors to enable collaboration. This must include consideration of emerging technologies and supply of alternative fuels. Effective approaches to planning will be developed via engagement with key partners and stakeholders (for example, local authorities and community groups, workers' representatives). Applicants will ensure that the ambition they have set, and the progress being made against those ambitions, are publicly available.

- 1.3.4. Full details of monitoring of plans for green ports will be set out for successful applicants as part of the final designation process for Scotland. We want applications that detail how potential operators will approach meeting all relevant environmental regulations and Scottish Government commitments. **We will look for detailed, achievable action-focused plans for decarbonisation in support of a net zero economy. Applicants must provide both a timeline and realistic programme of work for achieving its decarbonisation goals.**
- 1.3.5. The expectation of a commitment to a just transition to net zero would be placed upon the operator and organisations that operate in the zoned area, and which benefit from the new designation directly. Companies that are extant in the subsequently zoned area receiving no direct benefit would not be in formal scope. However, the beneficiary companies can act as champions and exemplars.
- 1.3.6. Operators and the beneficiary businesses within the zoned area should support Scottish and UK Government commitments to create new high quality, fair jobs, offering upskilling/re-skilling opportunities especially to those in local communities. Applicants should evidence, in an outline initial plan, how they would support job creation through low carbon investment and infrastructure by both the designated operator and the companies benefitting from tailored governmental assistance.
- 1.3.7. This approach supports the 2020 Programme for Government commitment to create green jobs in line with the ambitions of the Scottish Government Climate Emergency Skills Action Plan

1.4. Drive fair work

- 1.4.1. Green port operators and businesses directly benefitting from new incentives **shall adopt the Scottish Government's Fair Work First approach**, making a commitment to adopting the Fair Work First criteria, specifically:
 - a. Appropriate channels for effective voice, such as trade union recognition.
 - b. Investment in workforce development.

- c. No inappropriate use of zero hour contracts.
- d. Action to tackle the gender pay gap and create a more diverse and inclusive workplace.
- e. Payment of the real Living Wage.

In doing so, they will wish to use the Scottish Government's [Fair Work First guidance](#) to inform their approach.

- 1.4.2. **Additionally, green port operators and businesses are expected to become Scottish Business Pledge signatories upon being awarded green port status.** Both mandatory and optional elements of the Pledge align with the Fair Work First criteria, and also reflect wider objectives for green ports such as innovation, internationalisation, and community and environmental impacts.
- 1.4.3. **We expect to see detailed action plans as part of an applicant's response, setting out the focused action the operator and businesses will take to ensure the Fair Work First approach and criteria are embedded within and across the green port environment and individual organisations.** The aim will be to drive a fair work culture and fair work practices for creating and sustaining diverse and inclusive workplaces with high quality jobs and fair work across the green port workforce. We strongly recommend that employers within the green port zone engage constructively with relevant trade unions and where a union is not present, with another appropriate worker representatives to ensure effective decisions are made about workplace matters. We will also seek assurances, in the application to be a green port, that the operator and businesses will work collaboratively with the relevant local authorities to agree their fair work priorities. Their plan should also demonstrate how they will utilise the local skillset (upskilling/re-skilling where necessary) and address the demographic challenges for the area/region and the relevant industries, giving particular attention to improving opportunities and outcomes for minority ethnic and disabled workers and women.
- 1.4.4. In order to become a green port, in line with the [Fair Work First guidance](#), the operator and businesses must adopt Fair Work First criteria in a manner consistent with the context in which they can be applied. We will expect these companies to advance fair work as they grow.

Committing to the Youth Guarantee

- 1.4.5. Applicants must consider how they can support the Scottish Government's Youth Guarantee, including incorporating opportunities for young people and producing a specific action plan. Businesses will be asked to apply Fair Work First criteria to young people as part of an incremental and progressive fair work approach.

1.5. Foster an innovative environment

- 1.5.1. Green ports will focus private and public-sector investment in R&D; they will be dynamic environments that bring together innovators to collaborate in new ways, while offering controlled spaces to develop and trial new ideas and technologies.
- 1.5.2. Innovation in green ports jointly supports other core objectives as it helps to create new markets for international trade, and helps drive productivity improvements, bringing jobs and investment to green port regions. Innovation at ports will also be a key aim of the UK Government's 2025 Border Strategy.

Innovation in green ports

- 1.5.3. Innovative activity in green port locations can be characterised into 3 distinct areas of focus. Potential green ports could focus on any, or all, of these in outlining their innovation ambitions.
 - a. Port-specific innovation – innovation that directly benefits air, rail or maritime ports, e.g. autonomous cranes and cargo-handling equipment, digital security, customs software that can track goods across a broader area, creative use of people and skills to develop innovative solutions that can drive efficiency and effectiveness, etc.
 - b. Port-related innovation – innovation that indirectly benefits air, rail or maritime ports or their supply chain, e.g. autonomous transport, modal shift, decarbonisation of transport, modern methods of construction, industrial decarbonisation etc.
 - c. Non-port-related innovation – innovation unrelated to air, rail or maritime ports that can take advantage of port-proximate locations or the green port wider offer, e.g. pharmaceuticals, quantum technologies, advanced materials, robotics, AI etc.
- 1.5.4. At ports themselves, green port status could allow port operators and businesses to build on the thinking outlined in the UK Government's [Maritime 2050](#) strategy and [Aviation 2050](#) consultation to generate technological solutions which could subsequently be implemented in other green ports / Freeports (in either Scotland or across the UK), ports and other areas across the country.

Innovation activity

- 1.5.5. In creating a successful innovative environment, a successful green port proposal should consider the following:
 - a. Capability and Investment: Build and reinforce the capability for Research and Development (R&D) in the green port region, by funding and supporting private and public investment in research, innovation and skills within green ports.

- b. Collaboration and Commercialisation: Facilitate translational research, skills development and data-sharing in the green port region, by linking start-ups, businesses and ports with academic institutions, innovation structures and regulators.
 - c. Novel solutions: Drive the development, testing and application of new ideas and technologies, including developing innovative solutions to problems faced by green ports.
- 1.5.6. The three innovation levers outlined in Section X.X (innovation funding, collaboration hubs and regulatory innovation) link clearly to each of these areas of focus and contextualise how successful green port proposals should outline their innovation outputs and ambition.
- 1.5.7. Government is also interested in how innovation ambitions can meet these outcomes in the context of the decarbonisation and net zero agenda, as outlined in Section X.X.

1.6. Logic model

- 1.6.1. **Applicants will be expected to submit a diagram of a logic model.** The logic model should provide an overview of the links between the activities and inputs, outputs, outcomes and impact of the applicants' proposed green port model to show how their proposed green port will achieve the programme's objectives. That will mean explaining how the green port would make use of the levers set out in Section X and how these will interact with local characteristics and other inputs (e.g. investment by the port and local area) to achieve measurable outputs and ultimately the desired outcomes.
- 1.6.2. The Scottish and UK Governments will assess the credibility of each link in the chain from activities and inputs, to outputs, to outcomes, within the logic model underpinning each proposal and using the information provided in question 2.1 (see Section X.X).
- 1.6.3. The broad structure of a logic model is set out in Figure 1.6.1. This sets out some indicative examples of the sorts of activities applicants may propose, alongside an array of possible outputs. Applicants will be responsible for explicitly making the link between the specific outputs they propose, and the outcomes set by the government.

1.7. Expected outcomes

- 1.7.1. Each objective is underpinned by a set of key outcomes. Applicants' plans to deliver on government objectives must show how they will deliver outputs in support of these key outcomes. These outcomes will also form the basis for subsequent evaluation of the success of the programme.
- 1.7.2. Green port proposals will be assessed against all these outcomes as part of

monitoring and evaluation process.

1.7.3. Promote regeneration and job creation through inclusive and sustainable growth

- a. Increased number of jobs and average wages in deprived areas in and around the green port.
- b. Inclusive growth outcomes (Productivity, Population, Participation, People, Place) are better achieved locally, ensuring the green port makes a positive contribution to the local and national economy.
- c. Sectoral clusters are boosted by innovation and collaboration with Scotland's enterprise agencies, universities and colleges.

1.7.4. Establishing hubs for global trade and investment

- a. Increases in sustainable, ethical trade throughput through the designated green port area, in line with the Scottish Government's [Vision for Trade](#) and the ambitions in [Scotland: A Trading Nation](#).
- b. Increases in investment within the green port boundary area, surrounding area and nationally, in line with the Scottish Government's [Vision for Trade](#) and nine opportunity areas in [Shaping Scotland's Economy](#).

1.7.5. Contribute to a just transition to a net zero economy

- a. Clearly defined baselines for emissions, environmental impact and climate risk management.
- b. Planning which incorporates measurable progress and milestones against clearly defined targets.
- c. Creation of new clean, green opportunities and employment, offering upskilling/ re-skilling opportunities especially to those in local communities.

1.7.6. Drive fair work

- a. Operators and businesses in the green port are meeting their commitment to adopt Fair Work First criteria in line with the [Fair Work First Guidance](#).
- b. These operators and businesses are working to maintain / become a Living Wage Accredited Employer through the Living Wage Scotland scheme.
- c. The operators and businesses are working to maintain / become a signatory of the Scottish Business Pledge.
- d. Operators and businesses are actively supporting young people through the Young Person's Guarantee.

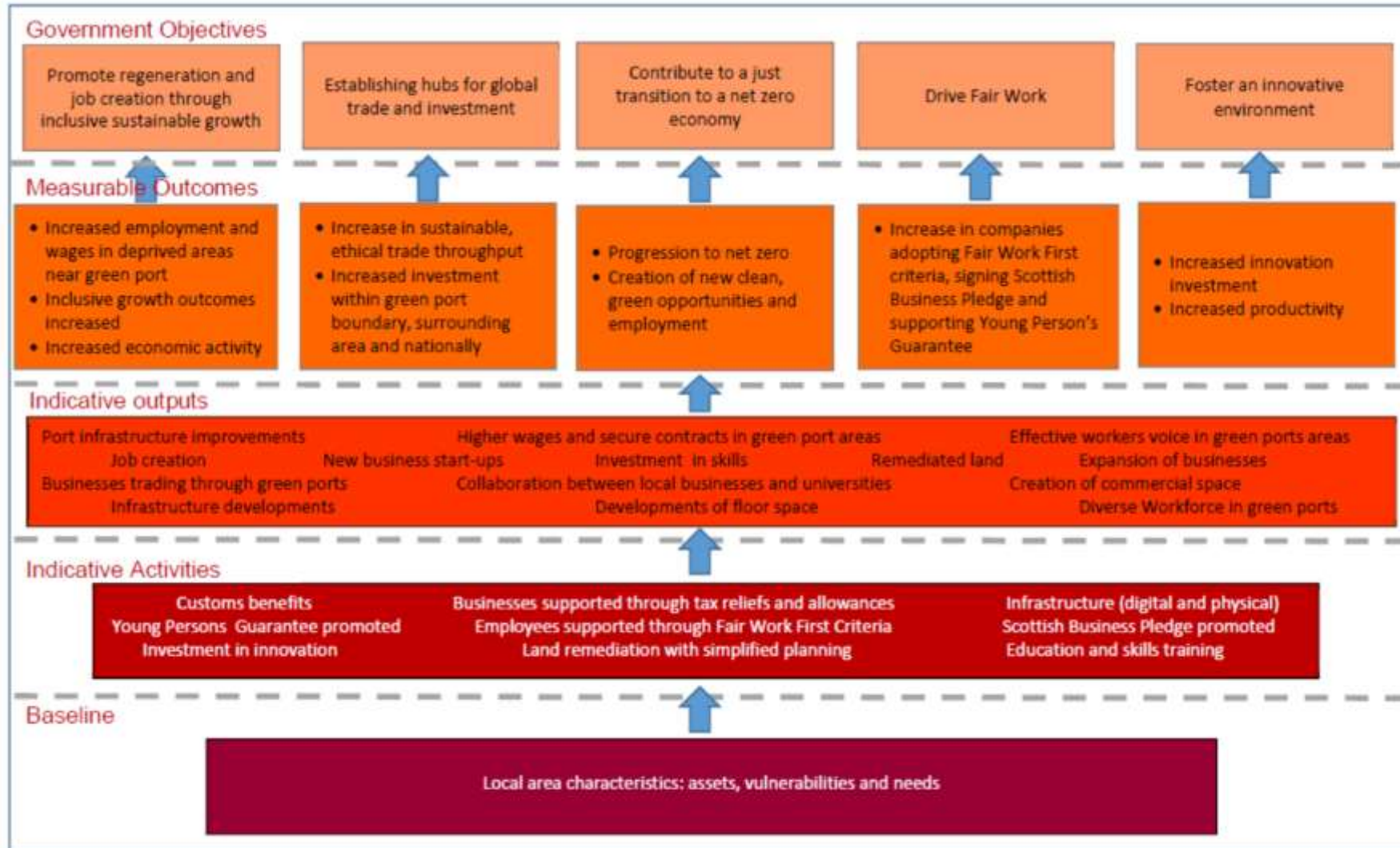
1.7.7. Foster an innovative environment

- a. Increased local involvement and funding in R&D and innovation.

b. Increased productivity in each target region, through increased capacity to absorb innovation.

DRAFT

Figure 1.6.1. Green ports logic model – linking inputs, outputs and outcomes to objectives



Section 2.

Economic levers and design of interventions

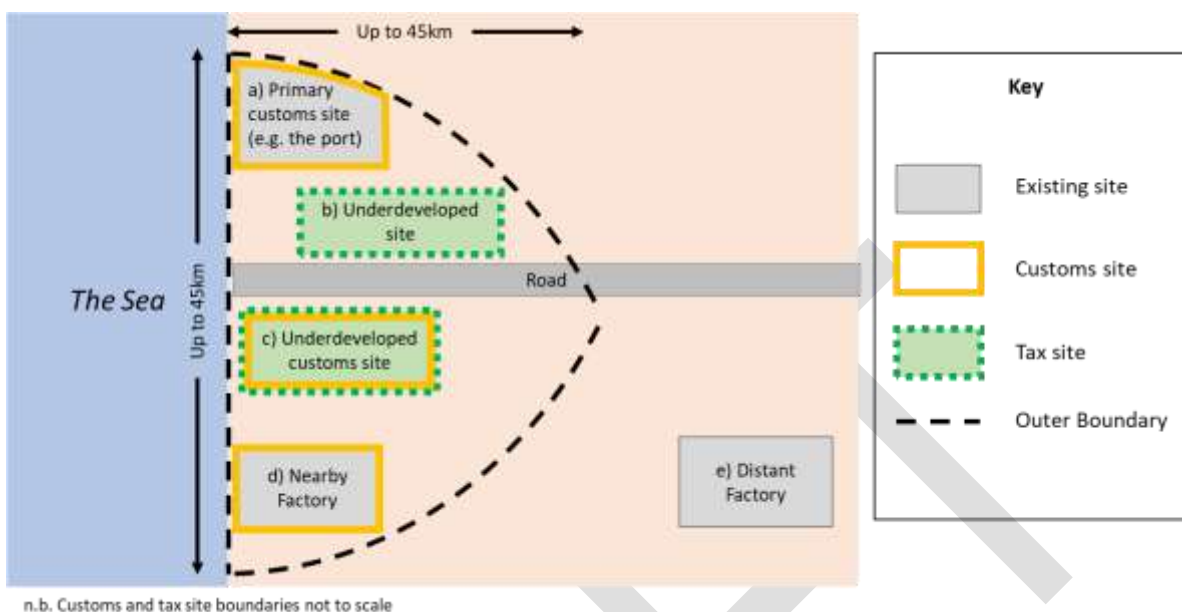
This section details the specific design of a green port. First, it sets out the geographic parameters for the size, shape and location of a green port. It then details the specific economic levers offered to applicants as they would apply in Scotland, which the Scottish and UK Governments will make available to successful applicants. The green port model will be based on the model the UK Government have used for Freeports in England.

2.1. Green port geography

- 2.1.1. The green port model is geographically flexible. To ensure all economic geographies within Scotland have the opportunity to apply the green port model in a manner which best fits their local area, we have deliberately not taken a “one size fits all approach”.
- 2.1.2. This section sets out design principles and limits on green port geography to demonstrate what a green port “is” and help applicants apply that flexible green port model to their specific space and geography.
- 2.1.3. **The proposed model allows for multiple sites to be designated within the overall green port.** This allows applicants to best reflect existing economic geographies; to maximise collaboration between ports, businesses, wider stakeholders and relevant economic assets by allowing them to benefit and contribute to the green port. However, limits must ultimately apply to generate agglomeration benefits and control costs. These limits, and flexibilities around them in exceptional cases, are set out below.

Overview of the green port model

Figure 2.1.1. The green port model – sea port example



2.1.4. The above shows a hypothetical green port focused around a sea port. It is demarcated with an Outer Boundary containing:

- A primary customs site around the sea port – site a) which, in this case, is not within the tax site, so businesses inside benefit from the customs measures, but not tax measures.
- Additional “underdeveloped” land separate from the primary customs site – sites b) and c) where businesses in both sites will benefit from the tax measures.
- An additional customs subzone – site c) which is also part of a tax site so businesses inside benefit from both the customs measures and the tax measures.
- A nearby factory site – site d) which is an additional customs subzone but is not covered by the tax site, so businesses inside site d) benefit from customs measures but do not benefit from tax measures – as per site a).
- A distant factory – site e) which is outside the Outer Boundary, so cannot be a customs subzone or part of a tax site without a special economic case for inclusion.

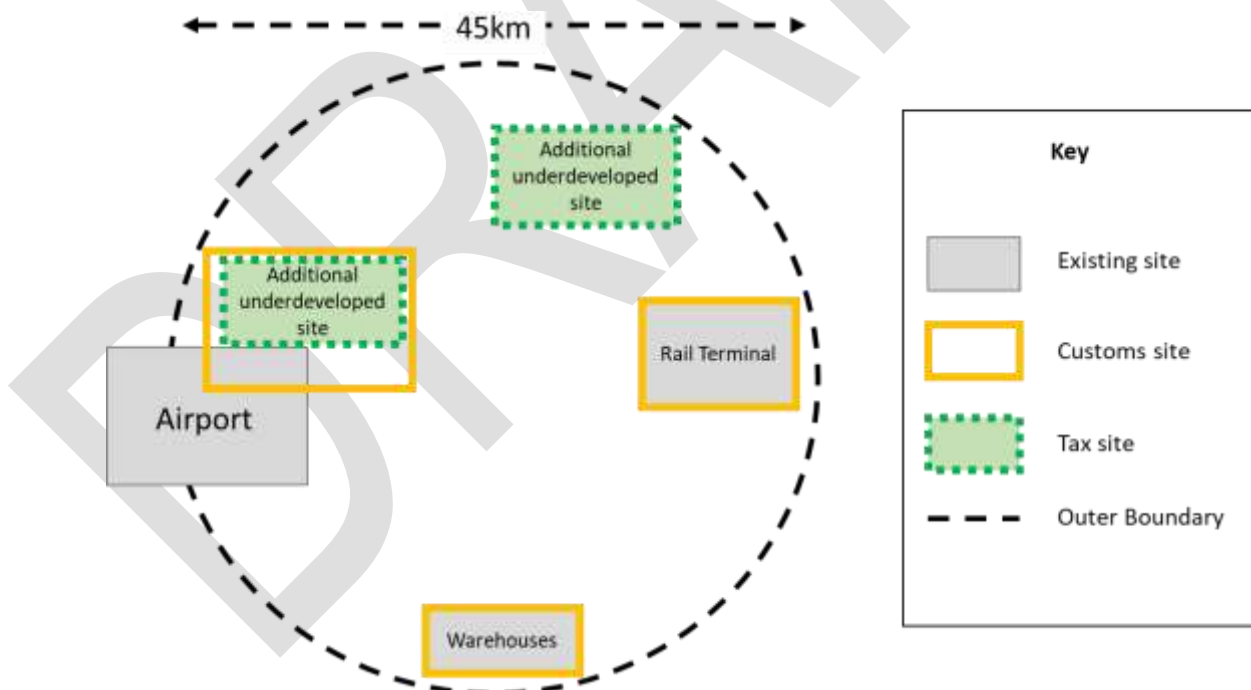
Outer Boundary

2.1.5. **Applicants must define an Outer Boundary in their applications.** The green port measures – the tax site or sites, the customs sites, and the planning, regeneration spending and innovation measures outlined in subsequent sections – must all be applied within this Outer Boundary. The Scottish and UK Government intends for the green port model to help a place which has a clear economic geography, and the

Outer Boundary ensures that while multiple sites can exist, those sites all exist to help that clearly defined place within the Boundary.

- 2.1.6. Applicants will need to submit a map with the Outer Boundary marked on it to delineate the geography of the green port.
- 2.1.7. The limit for the Outer Boundary is set at 45km. The primary customs site, tax site, and any additional customs subzones must all be contained by the Boundary. However, the Scottish and UK Governments will consider applications for exceptional additional customs subzones and tax sites outside the Outer Boundary, where this can be supported by a clear economic rationale (see below).
- 2.1.8. This means that, unless a very strong case is made, the furthest permitted distance between any two sites within the same green port is 45km and the largest area a green port Outer Boundary can cover is a circle of diameter 45km, as demonstrated by the hypothetical multi-port green port in Figure 2.1.2. Applicants will need to provide clear economic rationale for why the green port Outer Boundary is defined as it is. Applications judged to be designed simply to maximise the area contained within the Outer Boundary without clear economic rationale will fail the application process at the pass/fail stage.

Figure 2.1.2. The green port model – multi-port example



The Port

- 2.1.9. Applicants must include at least one port of any mode (sea, air, rail) within their green port Outer Boundary. The port does not have to be a tax site or a customs site – for example, a thriving hub for international trade and employment might be established nearby, boosting throughput through that port. Applications without a port within

their Outer Boundary will fail the applicant process at the pass/fail stage.

2.1.10. **Ports of all modes:** The model has been designed to apply effectively to areas with seaports, airports and rail ports. Every mode of port is welcome to make an application or form part of an application coalition.

2.1.11. **Multiple Ports:** The Scottish and UK Governments welcome green port applications that include multiple ports, including multiple ports of different modes.

a. If there are two or more ports located within the Outer Boundary distance that are interested in being part of a green port, and their economic activity affects one another and the region, they may be able to make a strong case for collaboration in support of the wider economic geography. However, proximate ports of different scale or with different economic focus are also free to be part of separate applications, if they have a strong individual case for a distinct economic green port cluster.

b. As noted, the Scottish and UK Governments will consider additional customs sites and tax sites outside of the Outer Boundary if a compelling case can be made for their relevance to the area within the Boundary – this may help applicants who wish to include a port outside the Outer Boundary because of strong economic rationale meriting its inclusion in one green port.

2.1.12. **Regional Distribution:** The Scottish and UK Governments expect to select a single green port per Regional Economic Partnership (REP) area.

a. Where there are multiple applications from the same REP area, government reserves the right to select one application from that REP area, if doing so is necessary to maximise the benefits of green port policy; or both, if both applications are nationally outstanding in comparison to other applications and have a suitably strong individual case for a distinct economic green port cluster which does not inhibit the effectiveness of the other's proposals or the government's wider ambition to spread green port across the regions.

b. Applications that include ports that are split across multiple REP areas will be considered to originate from the REP in which the tax site is located. If there are multiple tax sites, the application will be considered to originate from the REP where a plurality of customs and tax sites are located.

2.2. Subsidy control

2.2.1. The green port offer set out in this prospectus will be subject to international subsidy control obligations and our domestic regime.

2.3. Trade and investment support

2.3.1. The Scottish Government's and agencies' trade and investment support offer is

guided by our export growth and inward and capital investment plans, Scotland: A Trading Nation and [Shaping Scotland's Economy](#). Applicants should outline what specific trade and investment support measures they believe would benefit a green port in their area. The Scottish Government and agencies will work with successful applicants and the Department for International Trade to ensure a workable business support programme is clearly articulated to businesses considering locating within a green port.

2.4. Tax (devolved)

Land and Buildings Transaction Tax (LBTT) Relief

- 2.4.3. The Scottish Government proposes to offer a specific LBTT relief on relevant land transactions within qualifying tax sites in Scotland where that property is to be used for qualifying commercial activity.
- 2.4.4. Legislation to provide for this will require to be laid in the next Scottish Parliament and subsequently approved before any relief can be made available. As such, the timing for this cannot be confirmed at present.
- 2.4.5. Further details on the Scottish Government's proposals will be provided in due course, but for planning purposes the expectation is that any relief would be available until 2026 (date to be confirmed). Where relief is available, clawback provisions will apply in the event that land, or property, is not used for a qualifying purpose within a control period which will be set out in the legislation. This is expected to be three years, or earlier if the land or property is sold. As with standard practice, the relief would be claimed through the initial LBTT return.
- 2.4.6. Applicants should note that as LBTT policy is devolved, the details of relief may differ from the SDLT relief, based on the specifics of the Scottish approach.

Non-Domestic Rates Relief

- 2.4.7. The Scottish Government intends to offer up to 100% relief from non-domestic rates on certain properties within green port tax sites including new properties and existing premises used for specific purposes, from 1 April 2022. Based on the UK Government's model in England, this relief would apply for up to five years from the point at which the beneficiary first receives relief; and the point at which a beneficiary first receives relief must be by 30 September 2026. This relief will be mandatory, i.e. eligible applicants will receive the award if they qualify; and will be fully funded by the Scottish Government.
- 2.4.8. Eligible firms will be able to apply to the relevant local authority to access this relief.

2.5. Planning

- 2.5.1. Scotland's ongoing programme of planning reform is refocusing planning on improving the quality of our places. As a part of this, the new system will provide greater certainty and flexibility for investors, to help enable good quality development in the right locations that benefits communities.
- 2.5.2. We are undertaking a review of National Planning Policy in Scotland with a view to publishing National Planning Framework 4 in 2022. This will be Scotland's long-term development strategy. The direction of travel is set out in the National Planning Framework 4 Position Statement and **we would expect applications to reflect our planning priority aspirations and key outcomes including a wellbeing economy, resilient communities, quality of place and net-zero emissions**. Depending on timing, we would look to support successful applications for green ports in the emerging National Planning Framework 4, including by considering whether they would benefit from national development status. We also consider that proposals should work with, rather than against, the spatial strategy and policies of any relevant local development plans.

Permitted development rights

- 2.5.3. Permitted development rights (PDR) refer to those types of development for which planning permission is granted by national legislation, meaning they can be carried out without needing to submit a planning application. Port operators already have broad PDR under Part 13 of Schedule 1 to the Town and Country Planning (General Permitted Development) (Scotland) Order 1992. These rights permit a range of development on operational port land and would be applicable to any such land within a designated green port.
- 2.5.4. The Scottish Government is currently carrying out a substantial review of permitted development rights. Through this phased programme, we will be taking forward new and extended PDR in Scotland for a range of development types. Although our work plan does not currently cover port development, we will consider whether port operators' existing PDR remain fit-for-purpose and whether amending them would help to support the Scottish and UK Government's objectives for green ports. Following its February 2020 consultation, the UK Government has confirmed that it will amend the PDR that apply to port operators in England so that they are more closely aligned with those of airport operators. We would welcome applicants' views on this measure and, in particular, what the practical effect of making an equivalent change in Scotland would be, however this will not be part of the formal application process. Any proposals for new PDR would be subject to public consultation.

Place-based planning approaches

- 2.5.5. A number of place-based tools could be used to support the delivery of appropriate

development in green port areas by providing greater planning certainty and enabling streamlined decision-taking. These include Enterprise Areas, Simplified Planning Zones and processing agreements, and new mechanisms like Masterplan Consent Areas⁴. Such tools may enable planning authorities to take a more strategic approach to green port development. We therefore encourage authorities and prospective applicants to consider their use. **Applicants should provide evidence of early discussions they have had with planning authorities on this.**

Applicant requirements

- 2.5.6. **Applicants will need to demonstrate relevant stakeholder support for their proposals to ensure successful delivery.** At a minimum, government would expect the relevant local authorities to:
- a. Be part of the application coalition.
 - b. Have discussed the fit with development plans and policies as part of compiling the application.
 - c. Offer statements of support for implementing place-based planning approaches, as referred to above.
- 2.5.7. Such cooperation will be vital for ensuring development plans are able to progress smoothly through the planning system. The government expects applications to demonstrate local authority support for commercial property development within tax and customs zones, to support their growth.
- 2.5.8. We welcome applications which present innovative development proposals, including those that are forward leaning on using available land to bring forward infrastructure and support businesses that further the Scottish Government's net zero ambitions.
- 2.5.9. **In addition to the minimum requirements, successful applications should:**
- a. Include qualitative proposals explaining how a place-based approach may be used to support green port objectives.
 - b. Provide map-based evidence of where 'vacant and derelict land' (see para 2.1.26), including the tax sites, may be redeveloped for the purposes of green port development, with the appropriate support of the relevant local authority.
 - c. Show how the planning system and any relevant requirements for environmental assessment will help to ensure approach to mitigating any adverse impacts. Applications can also usefully indicate whether any early engagement with key

⁴ The Planning (Scotland) Act 2019 introduces new powers for planning authorities to designate Masterplan Consent Areas (MCAs). Building on existing provisions for Simplified Planning Zones, MCAs are intended to be a proactive tool for planning authorities to use to promote investment. The Scottish Government will be engaging stakeholders later this year on the implementation of these powers and associated secondary legislation.

agencies has been undertaken as part of this.

- d. Take into account and reference the relevant development plan context for the area and describe how the proposal will help to deliver on any relevant spatial objectives.
- e. Explain the steps taken (or planned) to engage with local communities to consider how proposals will maintain and enhance where possible the quality of the locality within which the proposal is located.

2.6. Regeneration and infrastructure

- 2.6.1. The amount of seed capital funding to be committed to green ports in Scotland will be confirmed in due course.
- 2.6.2. **Applicants should outline proposals for how to spend seed funding within their Outer Boundary in order to address the three pillars of the Infrastructure Investment Plan and how to contribute to the Scottish and UK Government objectives for green ports.**
- 2.6.3. In order to deliver Scottish Government commitments around 20 Minute Neighbourhoods, Town Centre Action, Community-led Regeneration and Community Wealth Building, any national infrastructure investments near/around/within a place need to be seen as integral partners in their locality.
- 2.6.4. The Scottish and UK Government expects proposals to be focused primarily on land assembly, site remediation, and internal small-scale transport infrastructure to connect sites within the green port to each other, the immediate surroundings or other economic assets within the Outer Boundary. These should embed transport strategies, sustainable transport and investment hierarchies. Proposals for spending seed capital on skills, digital and/or other infrastructure will only be considered in exceptional circumstances. Seed capital **may not** be spent on security infrastructure for customs sites.
- 2.6.5. **Applicants should summarise the costs of delivering their proposal, as well as the source of funding (e.g. green port seed capital), and application partner responsible for that cost in their response.** As far as possible this should be broken down by financial year. As well as the preferred option, proposals should include a scaled down “minimum viable proposal” to show how the proposal would respond to lower commercial demand or a smaller allocation of seed capital. Key delivery milestones should also be reflected in applicant responses as part of their implementation plan.
- 2.6.6. To ensure resources in the local economy are used effectively, green port proposals should build on and add to existing partnerships and plans for the port, and complement pre-existing strategies such as Regional Economic Strategies, Skills Development Scotland strategic plans, spatial strategies and national, regional and local transport plans.

2.6.7. **Proposals should detail funding secured from other sources, community support, and any critical interdependencies.**

2.7. Innovation

2.7.1. Green port applicants are key to realising our ambitions to establish green ports as innovation zones. To effectively build on successful local innovation strategies and the generous wider innovation support offered by the Scottish and UK Governments to innovators, **green port applicants should set out their innovation ambitions – focused on our green port innovation objectives and outcomes.** The Scottish and UK Government can then calibrate the levers set out in the Consultation Response and this Application Prospectus to turn ambition into reality.

2.7.2. The quality of proposals will form one of the assessment criteria for applications. **Government is particularly interested in private sector-led innovation within green ports, and innovation ambitions that contribute to the decarbonisation agenda or net zero.**

2.7.3. Additional detail on UK Government innovation support will be announced in the spring.

2.8. Wider government funding

2.8.1. **Applicants should outline how their green port proposals could be complemented by successful funding from existing or additional upcoming funding rounds from across government.** The green port proposal should be viable without these additional sources of unsecured funding, though government may choose to align allocations across funds where objectives and timing allows.

Section 3.

Delivery requirements

3.1. Contribution to decarbonisation and environmental impact

Driving the decarbonisation agenda

3.1.1. Green ports have great potential to contribute towards the Scottish Government's decarbonisation agenda and net zero ambition. The Scottish and UK Governments are supporting the demonstration and deployment of new technologies, including emerging renewable and low-carbon solutions, as part of measures to create an innovative environment (see Section X.X). In addition, there remain opportunities for green ports to align with wider decarbonisation and Green Recovery interventions, including the Scottish Government's funds for Low Carbon, Emerging Energy Technologies, and Vacant and Derelict Land. **As part of the assessment process, we will ask applicants to outline how their sustainable green port ambitions support decarbonisation and how they aim to contribute to Scotland's target to reach net zero-emissions by 2045 or earlier.** Proposals could include:

- a. Making sure that greenhouse gas emissions of on-land freight distribution are minimised.
- b. Making sure that vessels using the port operate in a low-carbon manner (e.g. reducing use of fossil fuels).
- c. Ensuring any construction work is sustainable and low-carbon.
- d. Reduction in use of carbon-intensive energy within the green port and/or transition towards renewable or low-carbon energy use.
- e. If applicable, increasing the use of technologies such as carbon capture and storage and renewable or low-carbon hydrogen.

Minimising environmental impact and other considerations

3.1.2. The Scottish and UK Governments are committed to ensuring green ports can be exemplars for both safety and security while driving green economic growth and investment in their areas. Any Scottish green port model will ensure that the Scottish and UK Governments' high standards on the environment will not be compromised. **Green port applications must outline how their proposals will ensure compliance with all applicable environmental regulations and standards.**

- a. Green port applicants will be required to demonstrate how they will ensure compliance with applicable regulations as they pertain to air and water quality,

the management of waste, the treatment and handling of chemicals, and any additional assessment and mitigation of impacts on protected sites and species.

- b. It is essential that green ports are bio-secure and ensure robust adherence to sanitary and phytosanitary (SPS) standards. The Scottish Government sets policy and enforces controls and restrictions on the import and movement of animals and animal products, certain plants, plant pests and other materials such as soil into Scotland. The Scottish Government will provide future operators with guidance on adherence to SPS standards and the role of a Border Control Post for the performance of controls to ensure the protection of public, animal and plant health. Green port applications will be assessed by the Scottish Government to assure proposals are sufficient for the port to act as a Border Control Post in cases where such facilities are required.
- c. Successful applications must carry out an Environmental Impact Assessment (EIA) before planned development can proceed, if required to do so.

3.1.3. The Scottish and UK Governments welcome applications which voluntarily demonstrate environmental benefits beyond regulatory baselines. This could include the provision of net gains for biodiversity, creating new or improved green spaces for people and wildlife, tree planting, or furthering other objectives that meet local needs. It may also include adopting working practices which support environmental improvements, such as home working and other flexible arrangements, and optimising technology to reduce the carbon footprint in the workplace.

3.1.4. Successful applicants will be expected to conduct an assessment of the environmental impact of their proposals as part of the Business Case process, before any public funds or tax measures are authorised. Successful applications will also be asked to demonstrate how resilience to future climate change has been considered, with reference to the latest supplementary guidance to the Green Book on 'Accounting for the Effects of Climate Change', and the Scottish Government's 'Delivering sustainable flood risk management' guidance and 'Guidance to support SEPA and the responsible authorities: Options appraisal for flood risk management'.

3.2. Preventing illicit activity

These reserved matters are subject to the approval of UK Government. The Scottish Government takes this issue very seriously and will continue to work with the UK Government to ensure the highest standards are met as successful green port bids are approved and developed through to operation.

See the Freeport Bidding Prospectus for England for details

3.3. Equalities impact

- 3.3.1. When formulating a policy proposal, the Scottish and UK Governments are required to have due regard to the Public Sector Equality Duty (PSED) as laid out in the Equality Act 2010, Section 149. The duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people with different protected characteristics when carrying out their activities. A Fairer Scotland Impact Assessment (EA 2010 Section 1) is also required, which sets out how the proposals can reduce inequalities of outcome caused by socio-economic disadvantage.
- 3.3.2. These impact assessments should focus on how the proposals will advance equality of opportunity for groups who are currently underrepresented in the envisaged green port industries and how people affected by socio-economic disadvantage can benefit. **Applicants should set out the likely impact on these groups – both positive and negative – and should set out how the proposals can contribute to greater community prosperity particularly with reference to wages.**

3.4. Monitoring and evaluation

- 3.4.1. Rigorous monitoring and evaluation will be key to the success of green ports.
- 3.4.2. Green ports will need to collect data on reliefs and their realised outcomes, including monitoring the effectiveness of tax and the adoption of Fair Work First criteria and other conditionality measures. **Applicants will need to provide details on their plan for collecting this data.** This should include a point of contact, resourcing and funding to collect data in green ports.
- 3.4.3. The Scottish and UK Government's focus is to encourage business investment and create new economic activity in green ports ensuring green ports are exemplar, rather than displacement of local economic activity from deprived areas. Applicants will be asked to demonstrate how they will collect data on this local displacement. Applicants will be encouraged to share their plans for monitoring and mitigating displacement of local economic activity from deprived areas. Proposals should also set out how the impact on equality and socio-economic inequality as set out in section X.X will be monitored and reported.

Scottish Government contacts

Scottish Government
St. Andrew's House
Regent Road
Edinburgh
EH1 3DG
Tel: 0300 244 4000
Email: ceu@gov.scot

DRAFT