

BRIEFING NOTE FOR FIONA HYSLOP, CABINET SECRETARY FOR ECONOMY, FAIR WORK AND CULTURE.

Briefing for Meeting with Sir Ian Wood, Chairman, Opportunity North East and Jennifer Crow, Chief Executive, Opportunity North East

9 March 2021

Key Message	The Scottish Government are supportive of the regional vision to be an energy transition capital. It is vital that we deliver a just transition to net zero that supports emissions reductions while ensuring that workers and communities benefit.
Who	Sir Ian Wood, Chairman, Opportunity North East Jennifer Crow, Chief Executive, Opportunity North East
What	ONE have requested this meeting to discuss their work on: <ul style="list-style-type: none">• ONE Activity Update• Green Jobs Recovery Fund• ETZ progress and Energy Transition Fund
Why	This meeting is the last in series of calls Sir Ian has arranged with Scottish Government Ministers. There are calls with The Cabinet Secretary for Finance (4 March) and the Minister for Energy Connectivity and the Islands and Minister for Trade Innovation and Public Finance (4 March).
Where	The meeting will take place via MS Teams
When	Tuesday 9 March, 12.00-12.45
Supporting Officials	[Redacted under S.38]
Attached documents	Annex A: Background Annex B: Biographies Annex C: Aberdeen City Region Deal Annex D: Seafood Transformation Annex E: North Adventure Tourism Project Annex F: Green Jobs Fund Annex G: Energy Transition Zone and Energy Transition Fund Annex H: UK Budget Announcement of £57m Including Energy Transition Fund Projects

Background and Current Activity

ONE is a private sector catalyst company driving transformational change in north east Scotland economy. Set up at the end of 2015 and with a £62 million 10-year funding commitment from The Wood Foundation, ONE develops and delivers projects to accelerate economic diversification and energy transition in the region.

Their focus is on businesses in the key industry sectors: digital; energy; food, drink, agriculture; fishing; life sciences and tourism to help them develop and grow at home and internationally. ONE works in partnership to achieve this and uses its resources and funding to secure co-investment from the public and private sector sources.

These are reflected in projects delivered via the Aberdeen City Region Deal; Oil & Gas Technology Centre, the Bio-Therapeutic Hub, and Agri-Food and Drink Hub (launched in January 2020 as “Seedpod”). ONE are the lead partner on the two Hubs.

ONE are also lead partners (alongside Aberdeen City Council, SE, and Aberdeen Harbour) in developing the Energy Transition Zone, a project being funded via the £62m Energy Transition Fund (ETF).

ONE are also working with SE and industry partners on developing a Business Case for the Scottish Government outlining a Seafood Transformation project to support the fish processing sector.

SE jointly with ONE has recently completed a feasibility study around the Adventure Tourism opportunity in the north east. Work is progressing on the development of the business case.

Recent Ministerial Engagement

Sir Ian met with Mr McKay and Mr Matheson on 24 April and 5 December 2019 to discuss ONE’s ambition for the North East region and where SG and wider agencies may be able to support this.

Sir Ian had discussions with both yourself on 12 June and Ms Forbes on 29 July 2020 as part of wider business engagement in response to the AGER report and the Scottish Governments tier approach to relaxing lockdown restrictions respectively.

Sir Ian had discussions with Ms Forbes on 27 October regarding the COVID Strategic Framework.

Sir Ian last met with Mr Ewing on 31 August 2020 to discuss the Seafood Transformation Project and the next meeting is scheduled for 19 March 2021.

Sir Ian had discussions with Ms Forbes on 4 March regarding Seafood Transformation, Green Jobs Fund, ETZ, ETF and Tech Scaler.

Sir Ian had discussions with Mr Wheelhouse and Mr McKee on 4 March regarding Energy Transition, regional ambition and international support to the supply chain.

BIOGRAPHIES

SIR IAN WOOD, CHAIRMAN, OPPORTUNITY NORTH EAST

Born and educated in Aberdeen, Sir Ian Wood is a well-respected and influential global businessman. His career began in the North East fishing industry but he is best known for his work in the North Sea and international oil industry with Wood Group, serving as Chief Executive from 1967 to 2006 and as Chairman until 2012. The Wood Foundation has committed £62 million investment over 10 years, doubling its initial funding commitment. This investment is to catalyse partnership working and co-investment matched funding from private/public sectors. He was the author of the Maximising Economic Recovery UK Report and, based on funds secured from the City Region Deal and the work of Opportunity North East (ONE), led the start-up of the Oil & Gas Technology Centre (OGTC). OGTC was set up to help transition Aberdeen from an oil and gas operations centre to a global hub for energy related technology innovation and development. Sir Ian Wood chairs the Commission for Developing Scotland's Young Workforce which produced a report setting out 39 recommendations for enhancing vocational education.

BIOGRAPHY – JENNIFER CRAW, CHIEF EXECUTIVE, OPPORTUNITY NORTH EAST (ONE)

Jennifer Crow is CEO of Opportunity North East, a private sector economic development company launched in December 2015. Ms Crow is also a board member of Visit Aberdeenshire, the Destination Management Organisation for the North East of Scotland. She has been an executive advisor to Sir Ian Wood and supported the Commission for Developing Scotland's Young Workforce. She is a past board member of James Hutton Ltd and the regional transport partnership, Nestrans. After joining Scottish Enterprise Grampian as head of food in 1994, Ms Crow became director of competitive business in 1999. She spent a period at Shell Expro UK in a business transformation team, before returning to Scottish Enterprise Grampian as chief executive in 2002. Previously she was chair of the board of governors of The Robert Gordon University (RGU) for 3 years to December 2016, the first woman to take up such a position within a university in Scotland. She was also RGU board member for eight years and chaired the finance and general purposes and investment committees.

ABERDEEN CITY REGION DEAL

Both the Scottish Government and UK Government have committed to investing £125 million each over 10 years with regional partners committing a further £576 million. The overall deal is worth £826 million.

The Deal supports Aberdeen's position as a global oil and gas hub, paving the way for significant investment in innovation, digital connectivity and infrastructure to help further diversify the region's economy.

In addition, we will also invest an additional £254 million over the same time period to facilitate a more significant step change to the economy of the North East.

SG recognise the role of the Deal in the economic recovery vision for the region, and note that the need to diversify the regional economy is heightened by the impacts of COVID-19, entailing that the commitment to delivery and partnership working is greater than ever.

Projects:

	SG	UKG	Local Authorities	Universities	Private & others
Oil and Gas Technology Centre	£90m	£90m		£23.5m	£150.6m
Bio-Therapeutic Hub for Innovation	£10m	£10m			£18m
Food Hub for Innovation	£5m	£5m			£10.1m
Digital Infrastructure	£5m	£5m	£7m		£15m
Strategic Transport Appraisal	£2.5m	£2.5m	£2m		
Aberdeen Harbour Expansion	£12.5m	£12.5m	£11m		£339m
Total	£125m	£125m	£20m	£23.5m	£532.7m

Progress & Covid Impacts:

The Oil and Gas Technology Centre celebrated its fourth anniversary in February 2020, and continues to operate with a successful profile within the sector. Targets and outcomes were met or exceeded at the 18 month checkpoint, and so to reflect this high performance, these have been stretched in advance of the delayed 3 year checkpoint, which was held in December 2020. [Redacted under 33(1)(b)]

The OGTC was able to pivot to online work quickly following Covid-19, and as such has been able to continue to deliver.

The OGTC and ORE Catapult have announced "Reimagining a Net Zero North Sea," an integrated energy vision for 2050. It highlights the opportunity to work together to transform the UK's energy system and help deliver the country's commitment to the Paris agreement.

[Redacted under 33(1)(b)]

The Agri-Food Hub for Innovation is to be located in the Sunnybrae area, within the Scottish Rural College Campus. The hub's name and brand "SeedPod" has been launched, with the planning application submitted in February 2021.

Work on the Transportation Links to the Bay of Nigg STAG Part 2 appraisal is ongoing, that will inform what supporting infrastructure is necessary for the Aberdeen Harbour Expansion (funded by private investment).

[Redacted under 33(1)(b)]

Mr Wheelhouse is in discussions with Aberdeen Harbour over COVID impacts.

The Digital theme within the deal is continuing to progress, however lockdown has produced delays in those projects that involve laying fibre, and there remain two outstanding business cases due to be submitted for review.

SEAFOOD TRANSFORMATION

Sir Ian met with Mr McKay and Mr Matheson on 24 April and 5 December 2019 to discuss ONE's ambition for the North East region and where SG and wider agencies may be able to support this.

Sir Ian last met with Mr Ewing on 31 August 2020 to discuss the Seafood Transformation Project and the next meeting is scheduled for 19 March 2021.

The Seafood Transformation Project is a £77m investment project over 5 years to achieve a step change in the seafood processing industry in NE Scotland.

This business case is seeking to secure £38m of public sector funding to leverage private sector investment at sufficient pace to capture the added value opportunity from increased landings, especially post Brexit.

It is estimated that this joint investment could grow annual industry turnover by between £150M and £246M, increasing total Scottish GVA by £130M - £356M over the 5-year programme with an ongoing gain in annual GVA of £43 – £119M thereafter.

The economic impact appraisal suggests between 900 and 2,490 jobs could be created – the majority directly in seafood processing, many in the supply chain, and with a smaller number in the wider economy.

Priority areas for action and investment include market and product development, processing innovation and advanced manufacturing facilities, and sustainability programmes for energy, waste and provenance.

Funding

ONE is currently leading the business case development for an industry-wide investment programme, working with the Scottish Seafood Association, Seafood Scotland, Scottish Government, Scottish Enterprise, Aberdeenshire Council and Aberdeen City Council.

The Scottish Government has provided £15,000 in funding towards the development of the business case.

ONE believe the draft Business Case is sufficiently complete and strong at the moment to take to Government to enable early discussion around the project, hence the request to meet with Ms Forbes as Cabinet Secretary for Finance.

ONE are seeking financial support for the Seafood Transformation Project. Public sector/private funding has been detailed over the lifetime of the

project. The main public sector request is for capital funding, and EMFF has been identified by ONE as the most likely source.

Scottish Government have been given a one year settlement of £14m for the EMFF replacement. This is significantly below what we would have expected, and the one year nature of the funding does not allow for strategic investment nor long term infrastructure investment.

UKG have announced a £100m package of support for the fishing industry, however we have had no further information on this money other than to be advised it is likely to be direct spend in Scotland for projects that have UK wide benefit, despite this being a direct infringement of devolution.

ONE have met with David Duguid. He has advised that he is putting together a series of capital investment projects for the Prime Minister's office in which the Seafood Transformation project has been included within the Scottish plan for shovel-ready investments.

NORTH EAST ADVENTURE TOURISM PROJECT

The North East Adventure Tourism project (NEAT) is an integral part of the ambition to diversify the North-east economy and move away from an economic reliance on oil and gas. It recognises that if the visitor economy is to grow towards - and beyond - the ambition set out in the Regional Destination Strategy, then new opportunities must be maximized, and new routes to a green, post-pandemic recovery must be identified. NEAT is one of a number of regional “transformational projects” identified by Opportunity North East in support of regional economic diversification.

NEAT is being developed by Scottish Enterprise, Developing Mountain Biking in Scotland, VisitAberdeenshire, Aberdeenshire Council, and is led by Opportunity North East. This programme builds on the existing infrastructure and the exceptional natural assets of the North-east of Scotland.

The emerging overall ambition is to contribute net growth of £90m per annum to the economy, creating 800 new jobs through attracting and securing investment in Adventure Tourism which will support a green recovery and improve the quality of life for communities with the North East being recognised as a world class net zero destination for adventure activities by 2030.

NEAT will develop a cluster of community driven, market led Adventure Tourism project with four key elements:

Exemplar Net Zero infrastructure
Industry and Skills development
Destination promotion
Growth through collaboration

Through funding provided by ONE and Aberdeenshire Council to Developing Mountain Biking in Scotland, a project manager is building engagement with adventure operators across the region and is developing project proposals which will deliver the NEAT ambition. Although still very much work in progress, significant project opportunities which are emerging and starting to take shape include:

- A new adventure park and mountain bike trail centre
- Enhanced natural trail network
- Long distance circular off road trail
- Upgraded and diversified Ski Centre facility
- City based adventure sports hub
- Innovation and marine sports hub

At the most recent partners’ meeting (19/02), it was agreed to look at creating a regional fund which could be used to support the next stage of the

development of each of the key projects which could deliver the NEAT ambition.

The creation of this fund will be taken forward by the partners' working group which is chaired by SE and includes representatives from ONE, VisitAberdeenshire and Developing Mountain Biking in Scotland. The working group is also leading on the development of the business case for NEAT.

GREEN JOBS FUND

As announced in our Programme for Government, we have created a five year £100 million Green Jobs Fund to help businesses create new, green jobs.

The Green Jobs Fund is not a skills or training fund. Rather, it is five year £100m capital fund offering support to businesses (and their supply chains) to help them better transition to a low carbon economy.

Top lines

Over the five year period, our enterprise agencies will provide a **£50 million Green Business Support Fund** to businesses, organisations and social enterprises which provide sustainable or low carbon products and services to help them develop, grow and create jobs.

A further **£50 million Green Supply Chain Development Fund** will help ensure that businesses and supply chains across Scotland can capitalise on our investment in low carbon infrastructure, such as the decarbonisation of heating and green transport.

Our apprenticeship system and the National Transition Training Fund will support people into the new green jobs created.

We are creating jobs through £50 million of support to sustainable and low carbon businesses

Our enterprise agencies will provide £50 million of financial support to businesses to help them develop and expand production of low carbon products and services and create more and better green jobs.

Our support will help businesses with, for example, capital investment in equipment and premises and research and development.

We are creating jobs through £50 million of support to help businesses and supply chains capitalise on our investment in decarbonisation and low carbon infrastructure

As a response to COVID-19, we successfully worked with companies to help them grow, adapt and innovate to meet our demand for PPE.

We will now do the same for our investment in the transition to net zero. This funding will secure and create jobs by ensuring that Scottish businesses are well placed to capitalise on public and private investment in the transition to net zero.

We will make focused investments in, for example, machinery and equipment and research and development in sectors such as manufacturing, engineering and construction to ensure businesses are well placed to win public and private contracts.

Businesses that win work in Scotland can go on to win work in other markets - and create even more jobs.

BACKGROUND

Tranche 1 - £50 million Green Business Support Fund	
Aim	To maintain and create jobs.
Purpose	To provide direct financial support to individual businesses, organisations and social enterprises which provide sustainable and/or low carbon products and services to help them to develop and grow to create jobs.
Delivery Agents	Highlands and Islands Enterprise, South of Scotland Enterprise and Scottish Enterprise.
Approach	1-2-1: Financial support to individual businesses, organisations and/or social enterprises to help them develop or expand the business. This could include supporting individual businesses which form part of the wider supply chain focus of the Green Supply Chain Development Fund.
Type of intervention/activity supported (not exhaustive list)	Grant support to fund expansion of premises, purchase of equipment, prototyping and R&D. Debt support, working capital, support for growth plans.
Illustrative examples	<ul style="list-style-type: none"> • Support towards new premises to enable expansion of biodegradable packaging company. • R&D project to enable development of new product by a timber company. • Grant towards new machinery for battery company. • Loan to enable company expansion overseas.

Allocation of Tranche 1 Funding - the Green Business Support Fund (£m)

	21-22	22-23	23-24	24-25	25-26	Total
Scottish Enterprise	8.4	10.0	8.6	6.2	6.8	40.0
Highlands and Islands Enterprise	0.8	1.4	1.4	1.4	1.4	6.4
South of Scotland Enterprise	0.4	0.8	0.8	0.8	0.8	3.6
Total	9.6	12.2	10.8	8.4	9.0	50.0

Tranche 2 - £50 million Green Supply Chain Development Fund	
Aim	To maintain and create jobs.

Purpose	To improve the capacity and capability of Scottish supply chains and support their development so that Scottish businesses can benefit and create jobs from public and private investment in low carbon infrastructure and the transition to a low carbon economy
Delivery Agents	SE in Year 1. A consortia of businesses/academia/NGOs/3rd sector is being developed for future years.
Type of intervention/activity supported (not exhaustive list)	Grant and/or debt support to fund e.g. shared prototyping and R&D; testing centres; enhancement of collective capacity and capability; supply chain business incubators.
Illustrative examples	<ul style="list-style-type: none"> • Housing and construction – e.g. using Scottish wool for insulation; timber for construction and new construction techniques and products through Construction Innovation Centre so that as we retrofit houses, insulate and build eco homes Scottish companies benefit. • Heating – development of capability and capacity of related manufacturing and maintenance businesses. • Energy systems – bringing together data, IoT and manufacturing/engineering to support energy systems. • Sustainable transport - battery and hydrogen technologies, parts and maintenance.

Allocation of Tranche 2 – Green Supply Chain Development Fund (£m)

	21-22	22-23	23-24	24-25	25-26	Total
Supply Chain Development	1.2	8.3	5.9	7.0	7.6	30.0
Low Carbon	3.2	3.0	4.3	3.5	6.0	20.0
Total	4.4	11.3	10.2	10.5	13.6	50.0

ENERGY TRANSITION ZONE AND ENERGY TRANSITION FUND

Top Lines

The £62 million Energy Transition Fund (ETF) was announced by the Scottish Government in June 2020. This investment will support our energy sector to grow and transition as Scotland moves to net zero emissions by 2045.

We want to create and protect jobs in the North East, and across Scotland, by opening up opportunities through the energy transition and harnessing private sector funding.

The investment will also benefit the wider Scottish energy sector and broader supply chain, working with local businesses to maximise the economic benefits, create and support sustainable jobs and contribute to inclusive economic growth across the country – this is central to our approach to net zero to ensure it is a just transition and no one is left behind.

Projects that are being considered for the fund are:

- A Global Underwater Hub
- An Energy Transition Zone based in Aberdeen
- Hydrogen Projects incl. Aberdeen Hydrogen Hub and ACORN Hydrogen
- Innovation projects led by OGTC's Net Zero Solution Centre

We are working with project partners to support them as they develop business cases

The approval of the business cases will allow these projects to move into delivery phase, as well as articulating their economic benefits.

Many of the business cases are now at a late stage of development, including the Energy Transition Zone which received approval in principle on 22 February.

Projects are expected to attract significant private sector across the programme.

The Energy Transition Fund is focused on consideration of the four project/project groups listed above, as such is it not currently seeking new project proposals.

The investment will also benefit the wider Scottish energy sector and broader supply chain, working with local businesses to maximise the economic benefits, create and support sustainable jobs and contribute to inclusive economic growth across the country.

It is important that we support a just transition to net zero that supports emissions reductions while ensuring that workers and communities benefit.

Skills and place based solutions for those communities most impacted will be critical.

Energy Transition Zone Project Description

Opportunity North East (ONE) has set out an ambition to help create a world leading Energy Transition Zone (ETZ) in partnership with Aberdeen City Council, Aberdeen Harbour Board and Scottish Enterprise.

The ETZ will create a place to attract and develop green energy related R&D, innovation, manufacturing, testing, demonstration and services, and the business and skills to support energy transition activities. In particular, the ETZ will

1. Provide landslide facilities for offshore wind, high-value manufacturing, operations and maintenance support for future ScotWind licensing and other offshore wind developments.
2. Provide the supporting infrastructure for emerging large-scale hydrogen production, storage and distribution and supply chain activities.
3. Support activities relating to testing of emerging low carbon technologies including floating wind and green energy, support for the major CCUS projects in the UK in particular CO2 transportation, and storage, business incubation, innovation and skills development.
4. Establish an energy skills academy to deliver appropriate skills training and qualifications to the industry. This would include re-skilling, upskilling and developing the future workforce

Funding

Initial investment of £120 million is required which will be the catalyst for unlocking further activity, bringing the total investment to £215 million. For the initial pump priming, £53 million is requested from the public sector (SG and UKG), to leverage the private sector funding of £67.

The initial investment will focus on enabling offshore wind and hydrogen production, provide research and development infrastructure for floating wind and green hydrogen, and facilities for business incubation and scaling green start-ups as well as skills development.

Economic and Environmental Benefits

Gross job creation of c. 2,500 FTEs in Aberdeen at its peak (2030) and c.£400 million GVA. It is estimated 30% of these jobs would be realised from 2023. Additional benefits include increased local community wealth building through contributions of local content, increased wellbeing through enhanced greenspace and facilities for community use and increased biodiversity.

The project is also expected to make a meaningful contribution to the delivery of the net zero targets. The offshore wind activities associated with the ETZ could alone contribute c. 1-2% of the UK's net zero requirement.

It is important to note that these benefits are as a result of the full £215 million investment, with the SG funding acting as a catalyst to unlock further investment and subsequently these benefits.

Energy Transition Zone Progress

SG officials have been working closely with ONE since the announcement of the Energy Transition Fund (ETF) in June 2020. First on the development of their outline business case and more recently on the full business case last month.

The ETZ full business case was considered by the ETF Steering Group on 22 Feb, where agreement in principle was given to provide £26.3m grant funding dependent on some additional clarity being provided by ONE around project governance and risks.

Officials have fed these comments back to ONE and will continue to work closely with ETZ project partners there to obtain this clarity and issue the grant offer in Mar/Apr this year.

UK BUDGET ANNOUNCEMENT OF £57M INCLUDING ENERGY TRANSITION FUND (ETF) PROJECTS.

Top Lines

We welcome the UK Government's commitment that they will match Scottish Government's planned investment in the Energy Transition Zone and Global Underwater Hub, which we announced in June last year under ETF.

By providing early indication that Scottish Government would consider investment in these projects under the Energy Transition Fund, it was always intended that this would help leverage funding from other sources, such as UK government.

The business cases for these projects are currently at a late-stage of consideration under the Energy Transition Fund, and we would expect to make our own announcement on investment in the near future.

Background

On 3 March, it was announced by the Chancellor that the UK Government Budget has allocated £27 million subject to business case towards the Energy Transition Zone. £5 million is also allocated, subject to business case for the Global Underwater Hub.

It is officials' understanding that the business cases for these projects will still be required to go through UKG departmental processes before final funding approval, similar to the work that Scottish Government has undertaken for these projects under the auspices of the Energy Transition Fund since June 2020.

Officials have been working closely with Opportunity North East (ONE) and Subsea UK on the development of their business cases since June 2020.

ETZ - A full business case was submitted to the ETF Steering Group on 22 Feb where agreement in principle was given to provide £26.3m SG grant funding, dependent on additional clarity being provided by ONE around project governance and risks. Officials have fed these comments back to ONE and continue to work closely with them to obtain this final clarity and move to the grant offer stage.

GUH - Subsea UK resubmitted their full business case in February, after taking on board Scottish Government feedback. This is currently being reviewed internally with the expectation that it can be taken to the next ETF Steering Group meeting on 22 March to consider for approval.