

BRIEFING: CALL WITH SIR IAN WOOD, OPPORTUNITY NORTH EAST
Cabinet Secretary for Economy and Finance

What	Sir Ian Wood, Chair of Opportunity North East, has requested a call with the Cabinet Secretary to discuss his feedback on the National Strategy for Economic Transformation, in particular the role of Regional Economic Partnerships.
Where	Microsoft Teams
When	19 January 2022 [11.45-12.15]
Agenda for Discussion	<ol style="list-style-type: none"> 1. Feedback on National Strategy for Economic Transformation 2. Regional Economic Partnerships and ONE Funding Model 3. £500m Just Transition Fund 4. Role of Scottish Enterprise and possibility of a NE Enterprise Agency
Key Message(s)	<ul style="list-style-type: none"> • SG recognises the contribution of Opportunity North East as a key delivery partner catalysing public and private sector partnership and driving economic development in the region. • To ensure this National Strategy delivers the transformational change Scotland needs we want to hear directly from business, workers and stakeholders across the country. • SG is committed to supporting the creation and strengthening of regional collaborations, working with our partners to establish/ strengthen REPs that will drive economic recovery at the regional scale. • There is an opportunity to learn from the model led by ONE in the north east, and identify how similar positive public/private relationships can be built elsewhere in Scotland, to support regional economic growth.
Who	Sir Ian Wood , Chairman, ONE Jennifer Crow , CEO, ONE
Expected outcome	Meet key partners for North East Regional Economic Partnership, demonstrating support for their role in delivering the energy transition and economic recovery in the region from the dual challenges of COVID and oil and gas transition.
Supporting official	[Redact under section 38]
Briefing contents	<p>Annex A: Biographies and Background Annex B: National Strategy for Economic Transformation Annex C: Regional Economic Partnership and Regional Economic Strategy Annex D: £500m North East Just Transition Fund Annex E: The Role of Scottish Enterprise in the North East Annex F: Support for the North East Economy</p> <p>Attached Separately:</p> <ul style="list-style-type: none"> • Sir Ian comments on NSET with OCEA commentary/ LTT (<i>to follow from Lisa McDonald</i>) • Opportunity North East priorities for 2022 (<i>to follow</i>)

[Redact under section 38]

SIR IAN WOOD, CHAIRMAN, OPPORTUNITY NORTH EAST AND ENERGY TRANSITION ZONE LTD



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.

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.

Recent SG Engagement and ONE Public commentary

- Sir Ian and Ms Crow met with NSET officials on 2 September to discuss NSET
- On 3 September we received a response to our semi-formal consultation from Sir Ian/ONE.
- On 23 December Sir Ian was invited to comment on the draft NSET as a ‘critical friend’. We are grateful to him for taking the time to provide feedback. His feedback is being considered as part of the ongoing drafting.
- Sir Ian spoke with Ms Gougeon on 13 Jan 2022 to discuss ONE Seafood Transformation projects.
- You spoke with Sir Ian last year on a number of economic development issues, including the Aberdeen City Region Deal and ONE’s Transformational projects in Seafood and Tourism; you have also previously discussed Green Jobs Fund, ETZ, ETF and Tech Scaler.

- Last year, Sir Ian had discussions with Mr Matheson, Mr Wheelhouse and Mr Mckee regarding Energy Transition, regional ambition and international support to the supply chain.
- He engages regularly with Ministers and Officials in connection to the Aberdeen Harbour Expansion and the Energy Transition Zone.

Sir Ian Wood has publicly urged politicians (3 December 2021) to “reflect carefully on their public statements on oil and gas and the impact they have on investment in the industry” in response to the Scottish Government’s position on the Cambo oil field saying: “We must not create an adverse investment environment at this crucial moment in our energy transition journey...The skills, experience and infrastructure of a world class oil and gas industry will play a crucial role in accelerating energy transition and meeting net zero.”

His rationale is that by limiting domestic production, the UK will be forced to import its oil and gas, with worse consequences for the environment if compared with consumption of domestic fossil fuels

He also stated that the current stance of the government on oil and gas directly supports nations with poor track records on emissions and carbon accounting since the UK would have to rely on them for its oil and gas needs

Sir Ian Wood called (19 October) UK ministers to reconsider their decision to omit the Scottish Cluster from their first round of funding for CCS projects, showing his support for the Acorn Project

He has urged the UK to include the Scottish Cluster in the CCUS projects funded during the first round instead of leaving it as a “reserve” cluster, mainly because according to him, since CCS is “a necessity and not an option”, it makes no sense to exclude the Acorn Project from the funding and will have terrible consequences on future CCS technology deployment in Scotland

Sir Ian Wood expressed support (19 July) for BP’s five-year, multi-million pound deal with deal with Aberdeen-based energy consultancy, Xodus, to provide a skills “capability accelerator” alongside the firm’s bid for a lease through ScotWind saying last month it was a “great example of BP’s commitment to make Aberdeen the location for its global centre of excellence for offshore wind” which was “testament to our region’s huge potential in this sector”.

The initiative includes creating entry-level energy transition roles, and the reskilling of hundreds of oil and gas workers, graduates and technicians with renewable sector capabilities.

Sir Ian said *“We must create the environment to capitalise on this immense opportunity and that is precisely why we have developed the Energy Transition Zone, an ambitious and exciting project that will reposition the North East of Scotland as a globally recognised integrated energy cluster that delivers sustainable jobs and growth for the region.”* (Energy Voice, 19 July 2021)

OPPORTUNITY NORTH EAST

Background

- 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 as “Seedpod”). ONE are the lead partner on the two Hubs.
- The regional economic partnership model (REP) established in north east Scotland is very successful, with significant private sector engagement across multiple industry sectors.
- It has established a track record of identifying transformational opportunities and developing these into funded projects which move into delivery at an accelerated pace. In this sense, the public/private relationship here speaks to the recommendations made within the Higgins report relating to partnership working with business.
- There is an opportunity to learn from the model led by ONE in the north east, and identify how similar positive public/private relationships can be built elsewhere in Scotland, to support regional economic growth.

Energy transition

- ONE developed the Business Case for the Energy Transition Zone, before their Energy Board was spun-out as ETZ Ltd with Maggie McGinley as CEO, the project was awarded £23.6m SG funding via the Energy Transition Fund (ETF) in August 2021.
- £3.1m funding was also provided to the Energy Transition Zone to provide a package of support to address the combined impact of COVID and the reduction in oil price in 2019 which has had a devastating impact on individuals working in the sector.
- The ETF aligns with the wider North East regional strategy and by using the Scottish Government’s community wealth building approach, we can ensure that local firms and workers directly benefit from the opportunities of these investments and the related supply chains.

Regional Skills and Innovation

- In their response to Mark Logan’s request for input to the Independent Review on Technology Sectors Role in Economic Recovery, ONE noted that they consider digital to underpin and play an integral part in the future of the North East.
- In Sir Ian’s view, this could be articulated in three categories; 1) Stimulating a vibrant start-up ecosystem, drawing on expertise from the region and beyond to create the best possible environment for success, 2) supporting established digital companies through growth and diversification, and 3) enabling existing businesses in our key sectors of energy, food and drink, life sciences and tourism, to embrace digital and new working practices to continue to thrive into the future.
- The £14.3m North East Economic Recovery & Skills Fund is providing opportunities for up to 3,000 individuals in Aberdeen and Aberdeenshire through training and enterprise projects across a number of sectors. Opportunity North East allocated £6.14m to deliver projects with a focus on entrepreneurship; accelerated business start-ups, development and growth; and across a range of sectors including hospitality and tourism.

ANNEX B: NATIONAL STRATEGY FOR ECONOMIC TRANSFORMATION

ISSUE: Opportunity North East have requested the opportunity to engage directly on the National Strategy for Economic Transformation. We expect them to speak about their role as a “regional leadership group” in developing the Aberdeen and Aberdeenshire Regional Economic Strategy.

TOP LINES

- I welcome the views of ONE and will work with officials to ensure the best practice demonstrated in Aberdeen to produce the Regional Economic Strategy can be harnessed for the Strategy.
- I recognise that the North East economic strategy is directly linked to Scotland’s Economic Strategy and welcome close engagement with regional partners.
- To ensure this strategy delivers the transformational change Scotland needs we want to hear directly from business, workers and stakeholders across the country.

Our vision for Scotland is to create a low-carbon, wellbeing economy – a society that is thriving across economic, social and environmental dimensions, and that delivers sustainable and inclusive economic prosperity for Scotland’s people and places.

- We are working at pace to finalise a new 10 year National Strategy for Economic Transformation whilst continuing to do all we can to mitigate the immediate impact of continuing Covid uncertainty on the economy.
- When published, the strategy will deliver bold and ambitious actions to transform Scotland’s economy over the long term, creating more prosperity.
- The strategy will build on the Covid Recovery Strategy to create a greener, fairer and more inclusive wellbeing economy.
- It will support progress towards meeting our 2030 climate targets, help restore the natural environment, stimulate innovation, create jobs, improve wellbeing for all and further embed fair work across the economy.
- It will also bring together key components of other strategies and targets, including continued delivery of our Economic Recovery Implementation Plan, published in August 2020.
- We will stimulate business growth by investing in innovation, expanding opportunities internationally and supporting businesses to benefit from the transformational opportunities of digitalisation. This will help create quality employment opportunities and generate revenue to invest in public services.

In line with our 100 days commitments, we formed an Advisory Council on Economic Transformation to shape the 10-year strategy.

- The Advisory Council, which met on 22 July, 26 August, 22 September and 27 October, includes representatives from industry, trade unions and academia.
- Transformational change must be a national endeavour, so we have reached out to businesses, workers and stakeholders from across the country.
- An informal consultation on development of the Strategy ran until 3 September, and received in excess of 260 responses.
- This included a response from Sir Ian/ONE, and Sir Ian and Ms Craw also met with NSET officials on 2 September to discuss NSET. Sir Ian has also been invited to comment on the draft NSET and we are grateful to him for his feedback.

Our plans for recovery are bolstered by ambitions and commitments set out in our Covid Recovery Strategy, Programme for Government, Climate Change Plan, Capital Spending Review, and Scottish Budget.

- As we face the challenges of EU exit and Covid, we have an opportunity to design an economic recovery that works for all of Scotland’s people.

- Putting wellbeing at the heart of our economy can unlock creativity and confidence, which in turn helps businesses innovate and grow, making them more globally competitive.
- Our mission is to create the best conditions for entrepreneurs to seize the opportunities to produce, invent and scale up, and in so doing, create secure and satisfying jobs which pay a fair wage.
- In 2021/22 we will invest more than £1bn to drive forward our national ambition for jobs, and the 2022/23 Scottish Budget allocates more than £124m for employability and training.
- £2bn of capital funding over this Parliament will deliver low carbon and natural infrastructure to drive demand in key markets for the transition to net zero.

We are in regular dialogue with business leaders and have backed our economic recovery with over £1.7bn since March 2020 – on top of more than £4.4bn in direct business support.

- Between March 2020 and October 2021 there were over 1,570 Ministerial engagements with business, an average of 79 a month.
- Ministers and officials have engaged with cross-sectoral organisations, business leaders and industry bodies on strategic priorities including economic recovery, business support and our response to the pandemic.
- We have jointly developed and published a Principles Agreement with business that is based on trust and mutual respect, to ensure businesses are involved throughout the development of policy which will impact on them.

NATIONAL CHALLENGE COMPETITION

To encourage pioneers and entrepreneurs, we will deliver a National Challenge competition on economic transformation.

- A new National Challenge competition will provide funding of up to £50m to the project or projects with the greatest potential to transform Scotland.
- Criteria will be published alongside the National Strategy for Economic Transformation.

WELLBEING ECONOMY

We will set up a group of external advisors to provide international and expert guidance on developing a wellbeing economy in Scotland.

- The advisory group will include experts from within Scotland and beyond, and will provide practical advice on how to implement a wellbeing economy.
- The challenges of building a wellbeing economy are not unique to Scotland, and we are keen to continue to learn and collaborate.
- The new group will complement the existing Wellbeing Economy Governments network, through which we are working together with other countries to understand the priorities for delivering a wellbeing economy.
- We will appoint a new Wellbeing Economy Ambassador to promote this work further and continue to drive change internationally.

We will publish a Wellbeing Economy Monitor to understand how we are performing as a wellbeing economy.

- Delivering a wellbeing economy means looking beyond GDP and measuring a broader range of indicators, such as the quality of jobs and the impact of the economy on our environment.
- Scotland is leading the way - wellbeing is an explicit part of our national purpose and underpins our National Performance Framework.
- To monitor our progress and guide economic policy, we are developing a set of measures covering wellbeing economy and sustainability outcomes.

[Redact under section 38]

ANNEX C: REGIONAL ECONOMIC PARTNERSHIP

ISSUE: Officials are working with regional partners to “formalise” the North East REP with a view to potentially refreshing the Regional Economic Strategy. Sir Ian’s comments on the NSET reflect the view that ONE is an exemplar of private sector engagement: “Strong consideration should be given to trying to replicate the ONE model across the regions of Scotland applying a mix of government and private sector funding but clearly led by the private sector.”

TOP LINES:

- A key objective of the NSET is to ensure all of Scotland’s Regions are able to maximise the potential of their economic strengths. Alignment between this strategy and Regional Economic Strategies is essential to deliver that potential, allowing coordinated action and messaging on the international stage.
- We recognise the important contribution of ONE to regional economic partnership working, particularly noting the way that ONE works in collaboration with local and national Government, and how this translates into collaborative action.
- The Scottish Government is committed to supporting the creation and strengthening of regional collaborations, working with our partners to establish REPs that will drive economic recovery through strategic planning at the regional scale.

Regional Economic Partnerships

- REPs are collaborations between local authorities, the private sector, education and skills providers, our economic agencies, and the third sector. Agile REPs also provide a vehicle to engage with SG policy areas which are seeking greater synergy with regional opportunities. Policy developments in planning, transport, inward investment and commitments to tackling child poverty are taking a regional focus, with other areas likely to be attracted by the opportunity that regional collaborations offer.
- UKG have expressed interest in the regional model as a possible vehicle to deliver EU replacement funds such as the Shared Prosperity Fund. Further information will be included in the White Paper which is due to be released in Jan 2022.
- The SG response to the report by the Advisory Group on Economic Recovery (AGER - August 2020) made it clear that SG and the enterprise agencies will support local government to enable REPs to develop regional economic recovery plans. Linked to the variety in the maturity of each REP, not all regions have published completed regional recovery plans yet. Among those that have, shared themes around net zero, supporting businesses and creating and protecting employment opportunities are to the fore.
- The NSET recognises the role of Regional Economic Partnerships in driving productivity: *“Scotland’s Regional Economic Partnerships bring together regional interests, focusing and aligning resources, sharing knowledge, and identifying new joined-up plans to accelerate economic prosperity at a local, regional, and national level. Distinct approaches to regional economic opportunities include...The Aberdeen Regional Economic Strategy and its net zero vision is the basis for how the region will achieve the energy transition. This includes the net zero technology centre, a key innovation project hub maximising the economic opportunity of energy transition in the region and developing its leadership role in delivering net zero solutions for the UK and internationally.”* (Draft NSET, extracted 12 Jan)

Scottish Government Regional Policy Review

- We are currently undertaking a policy review of regional approaches to economic development in the context of a Wellbeing Economy, resulting in clear recommendations for future Scottish Government policy. This is due to publish in the Spring of 2022 and will align with NSET.
- We have secured the agreement of the ESIF Steering Group to reposition themselves as the Regional Economic Policy Advisory Group, and will lean into the expertise of the group to ensure a well evidenced and justified position for future Scottish Government regional policy.

NORTH EAST REGIONAL ECONOMIC STRATEGY

The Regional Economic Strategy (RES), approved by both councils in 2015, provides a framework for all economic development within the region and lists inclusive economic growth as one of four programme areas that will aim to diversify the economy. Projects within the Aberdeen City Region Deal support this and all decisions taken during their delivery are expected to reflect the commitment within the strategy framework.

The North East Regional Economic Strategy Group, including both Aberdeen and Aberdeenshire Councils and Opportunity North East (ONE), led by Sir Ian Wood, represents the key strategic economic partnership in the region. The strategy uses a “triple helix” approach to encourage productive relationships across all levels of government and their agencies, with industry, and with universities.

The RES provides a long-term plan for the economic development of the North East to 2035, and is focused on four themes matching the priorities in the Scotland’s economic strategy: Innovation, Internationalisation, Infrastructure and Inclusivity. Partners identified key sectors for the region, including: Oil and Gas; Food, Drink and primary industries; Tourism and Life Sciences.

The RES is accompanied by a five-year Plan to ensure partners capitalise on the major investment in the region. The Plan was updated in 2020 to reprioritise in light of the pandemic. The refreshed vision reflecting this is as follows:

“In 2040, the Aberdeen city region provides outstanding economic opportunities, best-in-country quality of life and a spectacular natural environment. It is:

- **a net-zero city region** that powers the nation and drives energy transition nationally and internationally;
- **a competitive city region** to work and invest in with a diverse and robust economy, high-value jobs, and nationally significant productivity; and
- **a city region of choice** where prosperity and opportunity, educational attainment, quality of life, natural heritage and sense of place attract and retain talent, enterprise and investment.”

Economic Policy Panel Report and Recommendations: In December 2021, the fourth Independent Economic Policy Panel Report was published. The Panel is chaired by Professor Graeme Roy and comprises of Dr Hanan Morsy, Dougie Peedle, with assistance from relevant stakeholders.

The report makes the following recommendations:

1. **Renew the economic strategy of the North East to coincide with the publication of NSET. This should put Aberdeen the place at its heart and focus on sustainable, inclusive economic development and improved wellbeing.**
2. Intensify efforts to diversify the economy, going further and faster in attracting new businesses and people from outside the oil and gas sectors.

3. Develop and publish an updated skills strategy that accounts for existing skills gaps and is tailored towards future labour market demands. This should support the renewed economic strategy with a clear delivery plan and connect with existing activity and collaboration in the region.
4. Continue partnership approach that focuses on economic development and diversification to enable long-term resilience.
5. Continue planned further development of monitoring and evaluation tools to enable development of resilience in the changing economy.
6. Expand on the region's approach to fostering inclusion and embed further in economic approach.
7. Prioritise infrastructure investment options, including natural infrastructure in the decision-making process. This should include enhancing transport and digital connectivity, the natural environment and supporting the Regional Economic Strategy and approach to wellbeing.
8. Push the UK and Scottish governments to maintain the pace of investments to support the transition to net zero and increase connectivity to the central belt.
9. Build on the development of the City Centre Masterplan and new proposals for the Beachfront by creating full route map for the transformation of Aberdeen the place.
- 10. A more joined up and coordinated approach across local, Scottish and UK governments on all issues that impact on regional economic development to aid long-term strategic planning in the region.**
11. Conduct sensitivity analysis of the region's local government finances, including Scottish Government funding through the Local Government Settlement. This is to highlight the ongoing structural pressures the Council faces and encourages discussion and planning about how they could be addressed, extending beyond the region to national discussions.

TOP LINES

- I welcome the recent independent economic policy panel report which demonstrates the close alignment with Scottish Government priorities for regional economic development through the City Region Deal and our additional commitments to skills and a just energy transition.

QUOTE: Panel Chair: *"Our [2020] report focus[ed] on the long-term opportunities and challenges that the region will face. This year's report continues in this vein with further focus on the factors critical for the long-term success of the region: economic diversification, skills, infrastructure investment and energy transition."* (Professor Graeme Roy, University of Glasgow, 20 December 2021)

[Redact under section 38]

Top Line: Scottish Enterprise is committed to providing a strong team to support economic development in the North East and is actively engaged and working successfully with regional partners to deliver transformational projects.

- Scottish Enterprise (SE) has team of approximately 40 staff based in Aberdeen providing expert advice and services tailored to the opportunities and challenges of North East Scotland.
- SE is providing access to a range of support and interventions, applying a strategic approach to economic development in the region
- During 2020/21 SE spent an estimated £27m in the region across its business support and project support functions

Issue: in March 2021 the Conservatives proposed the creation of ‘a number of regional economic agencies’ including one for the North East as part of their election manifesto. Sir Ian has asked for the ‘possibility of a NE enterprise agency’ to be added to the agenda for this discussion.

- Scottish Enterprise is already active across the North East, providing support to a wide variety of businesses and innovative partnerships.
- SE has provided significant funding to businesses across the North East over the course of 20/21, including £8.7m of COVID-19 support grant funding awarded to 115 businesses in the region through the **Pivotal Enterprise Resilience Fund**, run by Scottish Enterprise.
- SE is focussed on helping businesses in the North East create economic opportunities as the region recovers from the pandemic.
- Given SE’s work and continued focus, I am of the view that there is no requirement for a new enterprise agency to be created.

Issue: Sir Ian Wood: Scotland’s economic transformation will only take place if business and industry, and the universities and colleges and other economic bodies are encouraged and incentivised to go for growth in a meaningful way. In particular, bodies like Scottish Enterprise, Highlands & Islands Enterprise and others should be very active. The NSET must clearly define the enterprise agencies’ role.

- The enterprise agencies are helping to shape the new National Strategy for Economic Transformation and will have a key role in working together, and with other bodies from all sectors of the economy, to ensure that it is delivered effectively.
- I fully agree that all parts of the system must better align to play to our strengths and focus on real economic growth both at a regional and national level.
- Through our sponsorship mechanisms, we will set out clear expectations about the role that the enterprise agencies will play, both individually and collectively, in delivering the Strategy, and put in place a framework for assessing progress.

Scottish Enterprise is actively engaged and working successfully with regional partners to deliver transformational projects in the North East including Opportunity North East

- SE’s Director of Place attends Board meetings of Opportunity North East (ONE), with the Head of Low Carbon Transition representing SE on the Board of ETZ Ltd.
- SE’s CEO attended a two-day visit to the North East in November 2021 at the request of ONE to view and hear progress on transformational projects and meet key stakeholders of them.
- SE is committed to ongoing discussions around the region’s innovation eco-system, and their involvement in projects including the Energy Transition Zone. SE’s Director of Place will liaise will engage with CEO of ETZ Ltd specifically on the co-ordination of SE’s support and approach to the project.

- In addition to ONE, SE is actively engaged with a wide variety of partners throughout the area including the Regional Economic Strategy Group, the City Region Deal Programme Board and has established a Trade & Investment Partnership Group with SDI drawn from the wider regional partnership.

In addition, SE is lending its support to a wide variety of transformational programmes across the North East Area.

- SE has contributed £12.96m to the Aberdeen Harbour expansion development that will help anchor the region's position at the centre of energy development contributing significantly to the energy transition.
- It has also supported Subsea UK with the development of the Global Underwater Hub (a £53m project) and is currently supporting projects relating to Glenshee Ski Centre, including Enhancing Ski Lift Infrastructure, Snowmaking Investment and Diversification plans
- These, amongst many other commitments – financial and otherwise – demonstrate clearly the commitment that SE has to investing in and supporting the growth of the North East economy.

[Redact under section 38]

ANNEX E: JUST TRANSITION FUND

ISSUE: Aberdeen City Council leader Jenny Laing criticised a “lack of detail” over the promised £20 million to help the north-east shift to greener energy. Conservative MSP Liam Kerr said he was “astonished” at her testimony which he claims “highlight the Scottish Government’s Just Transition Fund is all talk and full of empty promises. (P&J, 11 Jan 2022)

- The Scottish Budget confirmed an initial allocation of £20 million for the ten year £500 million Just Transition Fund in 2022-23. £10 million of this is capital, and the rest Financial Transactions.
- A number of Parliamentary Questions (particularly from Conservatives) have been raised calling for greater clarity on what the Fund will be deployed toward.
- We have committed to designing the Fund in partnership with stakeholders in the region. This includes ONE, and an introductory call between officials and Jennifer Crow was held in December 2021. ONE will be part of a larger group of regional external stakeholders that we will consult throughout the design and application of this Fund.

Top Lines

- A just transition delivers on our social, economic and climate goals, harnessing the transition across all sectors of our economy and society to build a better and more equal Scotland.
- We can be proud of our world-leading approach to just transition, to date. But there is much more to do: delivery will be a national mission that involves and engages all parts of Scotland.
- Our response to the previous Just Transition Commission, published alongside PfG, lays the foundations for our work for the lifespan of this Parliament and beyond. It sets out a long-term vision and a National Just Transition Planning Framework.
- A co-designed and co-delivered approach will ensure all partners are empowered to engage and that action is fair and co-ordinated.
- We have also announced plans to develop a skills guarantee for workers in carbon-intensive sectors which we will deliver through our Green Jobs Workforce Academy.

NORTH EAST AND MORAY JUST TRANSITION FUND

- **Securing a just transition for the north east and moray, and supporting people’s jobs and livelihoods is a priority for this Government**
- Our ten-year £500 million Just Transition Fund will accelerate the transition in the North East and Moray, creating new and exciting opportunities across the region and contributing to its future prosperity.
- The first £20 million was allocated as part of the 2022-23 Budget, and funding will increase year-on-year as momentum behind the just transition of the region continues to grow.
- As this is a new financial commitment, its detail will be shaped through working alongside regional partners to drive maximum impact.
- That has already started, and conversations about the Fund will pick up pace as we move into the co-design of Energy Just Transition Plan and the regional discussions that will follow.

Our Just Transition Plan for the Energy Sector, to be published in 2022, will amplify the voices of those most impacted by the transition and set out how changes in the decade ahead will be made fair for all

- The Plan will establish a shared vision for Scotland’s energy system, and identify concrete steps to manage the economic and social impacts of the transition fairly.
- No-one has all the answers, and so our plans will be co-designed with workers, businesses and communities across the country in line with the principles set out in our world-first National Just Transition Planning Framework.
- Work on the Plan has already begun. During COP26 we convened young people from across the energy sector to discuss the opportunities and challenges for workers and businesses in the decade ahead.

- We recognise that this must be partnership-led and are working to with Local Government, trade unions and business organisations to support co-design of the Energy Just Transition Plan.
- The original Just Transition Commission emphasised the need for an orderly, managed transition to net zero, underpinned by Just Transition Plans.

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ANNEX F: SUPPORT FOR THE NORTH EAST ECONOMY

TOP LINES: The Scottish Government is a full partner in the Aberdeen City Region Deal, contributing £125 million over 10 years. Over the same period, we will invest an additional £254 million to facilitate a more significant step change to the economy of the North East.

- The Deal is important to the economic recovery of the region, particularly in mitigating the impact of COVID-19, promoting a focus on delivery and partnership working which will help diversify the regional economy.
- The Deal supports Aberdeen's ambition to be an energy transition capital, paving the way for significant investment in innovation, digital connectivity and infrastructure to help further diversify the region's economy.
- The Deal includes £10m each from the Scottish and UK Governments for the Agri-Food Hub for Innovation (Seedpod), led by Opportunity North East.
- Seedpod will maximise opportunities from the region's existing expertise in food and drink by providing the right mix of facilities, support and activity to help businesses at all stages of growth to succeed. It will be located at the Scottish Rural College Campus in Craibstone.

ISSUE: Sir Ian Wood has expressed frustration with the pace of delivery on the Transport Links to Aberdeen South Harbour project (funded by the City Deal) as upgrades to the existing road have impacts on the Energy Transition Zone which he Chairs.

- Per Deal governance arrangements, SG officials and Transport Scotland in particular have been working with local partners to review the business cases submitted for approval at each stage of appraisal and planning for this project.
- Ultimately, local partners are leading the development and designs for this project and as with all other Deals we require business cases to meet Green Book standards – however we are collaborating with the project lead on the timescales for review and approval of business cases.

ACRD Deal £254m “Side Package” - Memorandum of Understanding funding

The MoU Investment comprises 3 strands: £224m for Transport, £10 for Digital, and £20m for Housing.

Transport: will enable rail signalling improvements (£200m) between Dundee and Aberdeen and to provide a new grade separated road junction at Laurencekirk (£24m).

- The Ministerial commitment to spend an “additional” (i.e. not previously announced) £200m on improvements to Aberdeen to Central Belt rail services was made in 2016, alongside the announcement of the Aberdeen City Region Deal.
- The funding is to be spent within the same timescale as the City Region Deal funding – i.e. by 2026.

Full Fibre: £2m of Digital monies drawn down to extend full fibre connectivity to public sector buildings across the region. Business cases for the remaining £8m are in development.

Housing: Regional partners have not yet proposed projects that meet the criteria of the housing funds (HIF).

COVID UPDATE:

Aberdeen City Deal partners have not yet reported any additional impacts or delays to Deal projects beyond construction supply chain issues being felt across the national programme.

- This year's public sector funding allocation for the four North East councils is collectively more than £1.3bn. This includes an extra £43.8m to support vital day to day services, compared to 2020-21.

- To date, councils in the North East have been allocated an additional £176.3m to respond to the COVID-19 pandemic through the local government settlement. This is over and above their regular grant payments.

Economic Recovery and Skills

- We are investing **more than £14 million to support North East based workers** impacted by the COVID-19 pandemic and the Oil and Gas downturn to support entrepreneurship, accelerated business start-up, development and growth across the region.
- The **North East Economic Recovery Skills Fund** offers over 3,000 training opportunities in addition to supporting hundreds of local businesses at a critical time for the regional economy. Opportunity North East is a key deliver partner and secured £6.14m to deliver projects across a range of sectors including entrepreneurship, hospitality and tourism.
- In light of the challenges to delivery of skills programmes this year and uncertainty over winter restrictions, we have agreed to extend the delivery period for this Fund to March 2022.

COVID AND ECONOMY: CITY AND TOWN CENTERS (NATIONAL)

We are working with all of Scotland's cities and towns to support their recovery and help build thriving, sustainable towns and cities of the future.

- The Scottish Budget announced a further £233m investment in the longer-term City Region and Growth Deals programme to create significant, sustainable economic benefits across Scotland.
- We will provide capital investment of £75m for the continued delivery of our £325m Place Based Investment Programme, accelerating shared ambitions for community led regeneration, town centres, and 20 minute neighbourhoods.
- To support the City Centre Recovery Taskforce, we have already invested £2m in a Recovery Fund, with a focus on inclusive and sustainable growth.
- Our £10m Scotland Loves Local Programme aims to encourage spending in local economies, and we have provided an additional £550,000 to support Business Improvement Districts.
- We are also currently providing a generous non-domestic rates regime that supports a total package of reliefs worth almost £1.5bn.
- This includes an extension to the relief for the retail, hospitality, leisure and aviation sectors throughout 2021-22, saving ratepayers an estimated £752m.
- We are working with the retail sector to develop a strategy that will help it change and adapt in light of the impacts of Covid-19 and longer term trends.

Since the start of the pandemic, Scottish businesses have benefitted from over £4.4bn in support.

- This includes Covid Non-Domestic Rates reliefs which have saved businesses around £1.6 billion in reduced rates bills since 1 April 2020.
- We have offered 100% COVID-19 rates relief for the past two years without any cap in 2020-21 and 2021-22, and were the only government in the UK to do so.
- We are preventing a cliff edge return to full liability for businesses in the retail, leisure and hospitality sectors on 31 March 2022, by continuing relief at 50% for the first three months of 2022-23, capped at £27,500 per ratepayer, which will help businesses get back on their feet.

ENERGY TRANSITION FUND

ISSUE: Local concerns around the site for the Energy Transition Zone (ETZ): development in the area has been met with local opposition due to its overlap with green areas at Torry and Cove Bay including St Fittick's Park and Doonie's Rare Breeds Farm.

- With regard to site selection for development of the Energy Transition Zone itself, responsibility lies with regional partners including Opportunity North East (ONE), Aberdeen City Council and Aberdeen

Harbour Board to follow local planning application procedures and we encourage comprehensive engagement with stakeholders to ensure the project is developed with sensitivity to the environment and local community.

TOP LINES

- The £75 million Energy Transition Fund (ETF) investment was announced by the Scottish Government in June 2020. It will support our energy sector to grow and transition as Scotland moves to net zero emissions by 2045.
- The projects announced for consideration under the ETF are:
 - An Energy Transition Zone, based in Aberdeen
 - A Global Underwater Hub
 - Hydrogen Projects incl. Aberdeen Hydrogen Hub and ACORN Hydrogen
 - Energy transition projects through NZTC's Net Zero Technology Transition Programme (NZTTP)
- 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.
- The fund has provided £16.7m funding for NZTTP, £26.3 million for an Energy Transition Zone, £6.5 million for a Global Underwater Hub, and £15.2 million to the Aberdeen Hydrogen Hub.

ENERGY TRANSITION ZONE (Formerly led by ONE, spun off in April 2021)

- The ETZ is a £184 million business park which is proposed to be built adjacent to the new Aberdeen South Harbour. It has the potential to capitalise on the existing, strong energy supply chain located in North East of Scotland, supporting the technology and innovation environment strengthened by two universities, and the ongoing work by the NZTC and industry on net zero solutions.
- Scottish Government announced in June 21 that it had approved the ETZ Ltd business case and awarded the project £26.3m. A similar commitment (subject to business case) was made by the UK Government during the UK Budget in March 21. Opportunity North East is contributing £5.7m, which takes the funding secured to deliver ETZ to £60m.