



## **Paper 4/3 Place session**

### **For information**

#### **1. Purpose**

1.1 To provide Commissioners with background information on agenda item 5, an information gathering session exploring the economic development strategy for the north east region.

#### **2. Background**

2.1 This note provides detail of the participants who have been invited to give evidence as part of this session along with a list of suggested questions. Further background information is also included in the Annex to help inform the session.



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| <b>What</b> | Agenda item 5: Place information gathering session   |
| <b>Who</b>  | <p>Jennifer Crow, Chief Executive, Opportunity North East</p> <p>Maggie McGinlay, Deputy Chief Executive, Opportunity North East</p> <p>Richard Sweetnam, Chief Officer City Growth, Aberdeen City Council</p>   |
| <b>Why</b>  | <p>An opportunity to examine the future vision for the regional economy.</p> <p>Participants are senior figures involved in economic development in the region, and will be able to talk through the future vision for the regional economy and the barriers to achieving this.</p> <p>A selection of possible questions are included below:</p> <ul style="list-style-type: none"> <li>• Do you see positive examples of the regional economy developing for a future beyond oil and gas? How can these positive examples be built upon? (lessons learned)</li> <li>• What was the impact of the 2014 oil price downturn on the regional economy? Does this show what might happen if there is an unmanaged transition for the oil and gas sector? (lessons learned)</li> <li>• Were any groups of people particularly badly hit during the downturn – what can be done to protect them more as the employment landscape changes in the region over the coming decades? (social inclusion)</li> <li>• Do you think the region requires additional support from Government to help secure a positive future due to its historic reliance on oil and gas, or is the current support in the form of city deals etc sufficient? (economic development)</li> <li>• To what extent do the various public and private sector bodies currently work together to secure the future vision for the region (such as enterprise agencies, skills bodies, council, national government, private sector)? Could they be coordinated better?</li> <li>• How might the transition away from oil and gas affect the city and the shire differently? Is there a recognition of the differing impacts in development plans etc? (regional cohesion)</li> <li>• Thinking about declining in oil and gas production over the next 10-20 years, what plans are in place for workers/companies that will need to find</li> </ul> |



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|  | new opportunities? What are the likely replacements and what are the challenges in realising their potential? (economic development)   |
| <b>Additional background information</b> | <ul style="list-style-type: none"> <li>• Annex A: City Region Growth Deal</li> <li>• Annex B: Regional economic strategy 2018-2023 action plan</li> <li>• Annex C: submission from Opportunity North East</li> <li>• Annex D: submission from Dr Leslie Mabon</li> </ul> |

## Annex A – City Region Deal

A copy of this document is also available [here](#).

### Executive Summary

The Aberdeen City Region Deal (“the Deal”) is one delivery mechanism for the Region’s economic vision. The UK Government, Scottish Government and local leaders are working together to address the challenges currently facing the Region and to capitalise on the substantial opportunities. Over the next 10 years, both Governments are committed to jointly investing up to £250 million. Aberdeen City Council and Aberdeenshire Council and regional partners are committed to investing up to £44 million. These commitments form part of an overarching £826 million funding package for the Aberdeen City Region Deal.

This document is the Agreement between the UK Government and the Scottish Government with Aberdeen City Council, Aberdeenshire Council and Opportunity North East (ONE) on a city region deal. It follows the signing of a “Heads of Terms” Agreement in January 2016 by: the Secretary of State for Scotland; the Cabinet Secretary for Infrastructure, Investment and Cities; the Leader of Aberdeen City Council; one of the Co-Leaders of Aberdeenshire Council; and the Chair of ONE.

The Region has recently experienced a number of challenges due to the downturn in the global oil and gas sector. The effects of the downturn have had considerable impacts including significant job losses on the regional, Scottish and UK economies. In response, a Regional Economic Strategy which was provisionally approved by Aberdeen City Council and Aberdeenshire Council in December 2015. This strategy provides a framework for the future economic development of Aberdeen and Aberdeenshire focusing on diversification of the economy into new areas of activity and markets through four programme areas of: Innovation; Internationalisation; Inclusive Economic Growth; and Investment in Infrastructure.

### Introduction



1. Aberdeen City Region (Aberdeen & Aberdeenshire) is one of the most prosperous regions in the UK. It is Scotland's third largest City Region and is home to nearly half a million people.
2. The Aberdeen City Region is an economic success story for Scotland and the UK, generating over £18 billion per year<sup>1</sup>. Between 2004 and 2014 the economy created over 47,000 private sector jobs, an increase of 24% which is more than three times the Scottish average growth rate<sup>2</sup>. In the same period economic output (GVA) grew by 91%, far higher than the Scottish total of 41%<sup>3</sup>. It has consistently experienced above average rates of growth in terms of population, businesses and enterprise compared to the majority of the city regions in the UK.
3. At the heart of this Deal is the development of a new, industry-led Oil and Gas Technology Centre. This centre will: support innovation in the oil and gas industry; maximise the economic recovery of the remaining reserves from the UK Continental Shelf; and anchor the supply chain for oil and gas in the UK. This will ensure the retention of high value jobs in the North East, the rest of Scotland and across the whole of the UK over the long term.
4. In addition, this Deal will support both the life sciences and food, drink and agriculture sectors. It will achieve this by building on the existing industry and research expertise in Aberdeen, commercialising opportunities and increasing the volume of start-ups in these growing sectors.
5. Investments in digital and in the transport appraisal will complement the Deal's focus on innovation. The Deal's support for the harbour expansion recognises its strategic importance, not just to the energy sector, but also to the wider diversification of the region.
6. It is vital that the City Region is able to compete effectively on a global stage if it is to continue to play a significant economic role in the national economy. Local partners have developed a Regional Economic Strategy that provides a framework for the future economic development of Aberdeen and Aberdeenshire. The Deal is consistent with this strategy and will help support the supply chain to compete internationally by:

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<sup>1</sup> Gross Value Added (GVA) 2014, Office for National Statistics

<sup>2</sup> Inter-Departmental Business Register, Office for National Statistics

<sup>3</sup> Gross Value Added (GVA) 2014, Office for National Statistics



- developing world class innovation in the oil and gas sector;
  - improving connectivity;
  - increasing trade and investment and
  - supporting the expansion of Aberdeen Harbour.
7. Aberdeen City Council and Aberdeenshire Council areas operate as a single and integrated economic geography. The relationship between the two administrative areas is well established as a result of: economic linkages across travel to work and learn areas; business supply chains; and key sectors of the region’s economy. This strong relationship provides a solid and effective foundation for further collaboration in future.

### **The Aberdeen City Region Deal**

8. Aberdeen City Council and Aberdeenshire Council have undertaken research to establish clear priorities for significant investment across the area. Subject to the approval from both the UK Government and the Scottish Government of business cases, the Aberdeen City Region Deal will:
- Support the development of a world leading **Oil and Gas Technology Centre (OGTC)** to become the “go to” centre globally for solving offshore mature basin, subsea and decommissioning technology challenges. In doing so the OGTC will generate a substantial competitive advantage for both the United Kingdom Continental Shelf basin and UK supply industry. The UK Government has committed up to £90 million and the Scottish Government has committed up to £90 million (together therefore an indicative amount of up to £180 million) to ensure the OGTC delivers its aims. In parallel, the private sector, Universities and other sources will provide an anticipated £175 million of investment.
  - Support Aberdeen’s continued economic diversity through innovation in the **food and drink and life sciences sectors**. The UK Government and the Scottish Government will together commit up to an indicative amount of £30 million (£15 million from UK Government and £15 million from Scottish Government), alongside an anticipated £15 million from the private sector and £13 million from other partners to deliver new Hubs for Innovation in these sectors.
  - Support the creation of a **digital infrastructure fund** to address the digital challenges of the City Region and deliver an enhanced service accessible by both the private and public sectors. The UK Government and the Scottish Government will commit up to an indicative amount of £10

million (£5 million from UK Government and £5 million from Scottish Government), alongside an anticipated £15 million from the private sector and up to £7 million together from Aberdeen City Council and Aberdeenshire Council.

- Support the **expansion of Aberdeen Harbour**. It is anticipated that the expansion will require an investment of between £350 million and £375 million. The Aberdeen Harbour Trust is currently in competitive dialogue with a construction consortium to take this scheme forward. Should the investment go ahead, both the UK Government and the Scottish Government commit to maximising the impact of the harbour expansion on the wider regional economy by contributing up to an indicative amount of £25 million (£12.5 million from UK Government and £12.5 million from Scottish Government) for supporting infrastructure. Aberdeen City Council and Aberdeenshire Council will contribute up to £11 million, subject to this investment going ahead.
- Support the development of a **strategic transport appraisal** to take a long-term strategic view of the transport implications of the investment unlocked by this Deal across modes of transport including road and rail. Both the UK Government and the Scottish Government will together invest up to an indicative amount of £5 million (£2.5 million from UK Government and £2.5 million from Scottish Government) with Aberdeen City Council and Aberdeenshire Council together investing up to £2 million.

### **Measuring the Economic Benefits – Programme**

9. The regional partners have carried out economic modelling which suggests that the Deal is capable of delivering:
  - Annual GVA increases of £260 million across the Aberdeen City Council and Aberdeenshire Council areas, £222 million at the Scotland level and £190 million in the UK.
  - An average of 330 new jobs per year, aggregating to some 3,300 new net jobs over the 10 year lifetime of the deal.
  - Additional annual tax revenues to the UK and Scottish Governments of £113 million from income tax, national insurance, VAT and oil tax revenues.



10. The Aberdeen City Region Deal Joint Committee will commission a regional economic performance dashboard to monitor the performance of the regional economy and the contribution of the Aberdeen City Region Deal programme towards overall economic growth and inclusion objectives. Both the UK Government and the Scottish Government will share expertise to help support this work.
11. Regional partners have developed a number of 'regional development principles' to ensure that the wider economic impact of the City Region Deal Programme capitalises on and contributes to the wellbeing, equality and inclusive economic growth targets in the Regional Economic Strategy. Regional partners will be required:
  - To ensure that all procurement of interventions under the Aberdeen City Region Deal are screened to deliver the benefits of a 'positive procurement' approach, to our most disadvantaged people and local businesses. Local partners will do this by delivering a range of buyer-supplier events and targeted recruitment and training courses aimed at improving access to jobs. This will be aligned to the Regional Skills Strategy and existing employability and jobs interventions.
  - To establish a regional Strategic Utilities Group to embed a coordinated and joined-up approach to planning investment in the region's infrastructure. This will include people drawn from Scottish Water, utilities' companies (energy and digital), Aberdeen City Council and Aberdeenshire Council (and Community Planning Partners). This will ensure all the infrastructure and housing needs across the North East of Scotland are considered collectively.
  - To work with the Regional Economic Strategy Group that is comprised of and draws expertise and collaboration from the Strategic Development Planning Authority, the Regional Transport Partnership, NESTRANS, Scottish Enterprise, Skills Development Scotland and Aberdeen and Grampian Chamber of Commerce. The Group will provide strategic direction across the wider economic development community for the implementation of the priorities in the economic strategy. It will monitor progress and the impact of the strategy's delivery and link the work of Opportunity North East and the Regional Advisory Board to delivery by national agencies and local partners.

## **Innovation**

12. Innovation is a vital driver of long-term sustainable economic growth. This Deal sets out investment hubs for Innovation in the Oil & Gas, Agri-Food & Nutrition and Life Sciences sectors – all of which

have strong clusters in the region. Once operational these centres will: attract and retain key skills and expertise in the region; build on existing innovation systems, research and development institutions and companies that are already based in Aberdeen; and complement the network of expertise across the UK and internationally. Big Data and data analytics is important for all sectors and this will be explored as a key theme for each of the Hubs for Innovation

### **Oil & Gas Technology Centre**

13. Throughout its history the North Sea has had a successful track record of innovation. However, as the oil and gas basin matures (alongside current cost and efficiency challenges), there is a real need for a step change in the development and deployment of new and advanced technology and new ways of working to maximise energy extraction.
14. This Deal will help to consolidate the region's global reputation as a centre for the oil and gas industry. It will ensure that Aberdeen can make an effective transition from an operations base to a global centre for technology and R&D investment in the oil and gas sector. This will ensure that the oil and gas industry continues to be a major success story for the UK and Scottish economies.
15. With a globally successful energy sector the region has built up knowledge and skills that are in demand across the world. The region remains a key location for oil and gas investment. While the North Sea oil and gas sector dominates the regional economy, and accounts for much of its economic performance, there are other key industries such as the wider supply chain which also contribute substantially to the overall economy.
16. The Aberdeen City Region Deal will establish a new, world class international Oil and Gas Technology Centre (OGTC) to support innovation of the oil and gas industry in the North East, the rest of Scotland and across the whole of the UK. The intention of the OGTC is to become the global centre for solving offshore oil and gas mature basin, subsea and decommissioning technology challenges. In doing so local partners believe it will become a technology leader for the UK internationally and will generate a substantial competitive advantage for both the UK Continental Shelf basin and UK oil and gas supply chain industry. The OGTC will have a key role to play in terms of maximising the economic recovery from the UK Continental Shelf, anchoring the supply chain for the longer term, supporting growth in internationalisation and ensuring the retention of high value jobs in the North East, the rest of Scotland and across the whole of the UK.

17. The OGTC will be industry-led, but will harness world-leading energy related research in Scotland (including from the University of Aberdeen and Robert Gordon University) and energy related research being undertaken in other countries. As the leading UK centre for technology collaboration within industry, and between industry and R&D Institutes, the OGTC will work with partner organisations including the Oil & Gas Authority and Scottish Enterprise, Innovate UK and the national network of Catapult Centres. It will also draw on the knowledge and expertise of the Oil & Gas Innovation Centre (OGIC) and the Industry Technology Facilitator (ITF) aligning their activity and considering how best to align these assets in the future.

18. The innovation outcomes in the region's economic strategy are to:

- Establish a hub for Innovation based in the Aberdeen City Region focusing on the delivery of technology for the oil and gas sector, in partnership with industry, to extend UK Continental Shelf recovery. This work will seek to drive cost efficiencies and increase export potential of the supply chain.
- Ensure that the UK Continental Shelf is recognised globally as the no. 1 basin for the development and adoption of new “mature basin” technology in the oil and gas industry.
- Enable greater integration and collaboration on solutions with industry to increase the deployment of technology in a mature basin. This collaboration will be based on the adopt, adapt and develop principles.
- Enable greater integration between industry and academia, working collaboratively across the UK, to accelerate the adoption of new technology and processes within supply chain companies.
- Provide a knowledge and innovation based anchor for oil and gas supply chain companies. The R&D and innovation expertise generated by the OGTC will encourage these companies to remain in the UK beyond the life of the UK Continental Shelf.
- Maintain and build on current technology to develop a critical mass within the UK sector as well as building university capacity in the Aberdeen City Region.

19. The UK Government and the Scottish Government have together committed, subject to business case, an indicative amount of up to £180 million (£90 million each from both the UK Government and Scottish Government) to support the development of the OGTC. This will be supported by an anticipated £175 million investment from the private sector, Universities and other sources.

### **Agri-Food & Nutrition Hub for Innovation**

20. In Scotland the food and drink sector generated over £14.4 billion turnover, employed around 114,700 people (supporting 19% of employment in the North East) and makes a significant contribution to GVA. Key to this is innovation and collaboration with the world-renowned local research bases at the University of Aberdeen, Robert Gordon University, the James Hutton Institute and the Rowett Institute.
21. The North East of Scotland's Food & Drink sector (manufacturing, agriculture and fishing) maintains a strong production and processing base in traditional sectors such as agriculture, fisheries and forestry. At present there are an estimated 22,000 jobs in the North East supported by the food and drink industry drawing upon high quality local produce from land and sea. Aberdeen city & shire is home to around 125 food and drink manufacturing businesses. This collectively generates over £1.5 billion in turnover, which is equivalent to a third of Scotland's total food and drink exports. This includes internationally recognised brands of whisky, beer, meat and fish products.
22. The Deal will deliver an Agri-Food and Nutrition Hub for Innovation which will position Aberdeen City and Shire as an international hub of innovation excellence – maximising the opportunity from the existing research base, primary producers and food processors. The hub will also stimulate higher levels of innovation for both existing companies and new starts/spinouts across the wider food supply chain. This will include start-ups and spinouts from the sustainable agriculture and seafood sectors.
23. The Agri-Food and Nutrition hub for innovation will maximise the opportunity from existing research and development expertise in the universities and research institutes. The hub will identify opportunities in sustainable agriculture and nutrition for commercial product development and innovation. The hub will also have a strong focus on the agriculture supply chain, provenance, healthy eating, nutraceuticals and functional foods, as well as being a flagship project for Scotland's Food and Drink industry.

24. Once complete the hub will be a resource for both start-up businesses and existing growth companies.

The hub will provide the following:

- A research translation capability to broker projects between industry and research teams.
- A development team including food technologists to manage the product innovation development process from concept through to pilot production for new and novel products. This team will have a strong direct link to the Scotland Food and Drink market research team and will access existing capacity and capabilities at a national level.
- Research and development laboratory space, test kitchen, demonstration equipment (3D printing of novel foods), pilot production plant and sensory suite for organoleptic analysis.
- An accelerator and incubator space for spin-out companies and high growth start-up businesses.
- A hub for the development and training to advanced level of food industry specific skills including food technology engaging with Higher Education Institutes in the region.
- Hub for sustainable and resilient food.
- Virtual link to other UK centres of excellence; e.g. labelling, shelf life, packaging etc.

25. Subject to the approval of full business cases, the UK Government and the Scottish Government will together contribute up to £10 million (£5 million from UK Government and £5 million from Scottish Government) to the Agri-Food and Nutrition Hub for Innovation. This will unlock an anticipated contribution of £8.05 million from the private sector and £2.05 million from other partners.

### **Bio-Therapeutic Hub for Innovation**



26. Scotland has a thriving life sciences industry that is recognised as one of the most accessible, well connected and collaborative in Europe. The sector employs more than 35,000 people across over 600 organisations<sup>4</sup>. The North East has a large number of life science companies and a significant academic research base, making a significant contribution to GVA.
27. The industry led Scottish Life Sciences Strategy aims to build on Scotland's existing strengths, particularly in key business areas such as medical technologies and pharma-services where there is already a substantial local company base, ranging from innovative start-ups to global multinationals.
28. The Scottish Life Sciences Strategy aims to double life sciences industry turnover to £6 billion by 2020. This strategy is underpinned by three pillars: anchoring key players; building more resilient businesses and comprehensive supply chains; and attracting inward investment.
29. The region has significant expertise in commercialising therapeutics (human healthcare treatments), in particular biologics (therapies based on biological sources including human, animal, plant and microorganisms). The region has high growth potential company base, commercialising first in class therapies with market potential.
30. Local partners want to use the City Region Deal to position the North East of Scotland as the location of choice for companies engaged in R&D and commercialisation of the next generation of Bio-Therapeutics for modern epidemics, through the creation of the Aberdeen Bio-Therapeutic Hub for Innovation. This Hub will act as an incubator and accelerator for new and existing life science companies spun out of higher education institutes.
31. The hub will comprise high quality office and laboratory space, with essential Life Science equipment. It will also have specific life science company support structures ranging from quality/regulatory to business accelerator and HR support. It is estimated that there will be a 40:60 split between offices and laboratories with some shared space and some company specific spaces based on demand. It will provide:

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<sup>4</sup>Life Sciences Cluster Analysis <http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors>.

- Core facilities for industry based researchers and academia to access appropriate infrastructure to facilitate the rapid progression of candidate therapeutics through the development and approval process.
- Specialist incubator space for SME's and university spin-outs to innovate and develop their products and grow their business.
- Specialist accelerator support to help the companies grow to their full potential.
- An environment where industry-based and academic researchers can adopt collaborative/cooperative, open innovation approach while at the same time ensuring protection of intellectual property and know how.
- Seek to foster greater international alliances by optimising and building on existing international links, potentially with the Texas Medical Centre, through a focus on bio-therapeutic development.

32. Subject to the approval of full business cases, the UK Government and the Scottish Government will together contribute up to £20 million (£10 million from the UK Government and £10 million from Scottish Government) to the Bio-Therapeutic Hub for Innovation. This will unlock an anticipated contribution of £7 million from the private sector and £11 million from other partners.

### **Digital Connectivity**

33. Improving the region's digital infrastructure is key to the long term future of the local economy. It will drive innovation through the better use of physical and digital assets to enhance public and private service delivery, to tackle inequality and to improve social outcomes.

34. The City Region Deal provides the opportunity to create a sustainable infrastructure from which the region can transform into a world class digital area. At the core is the need to deliver ultrafast connectivity and use this to: grow existing businesses; attract further investment; create new businesses; deliver excellent public services; support mobility and protect the environment; and enhance the area's attractiveness as a place to live and work.

35. Research carried out by the charity GO ON UK shows that the Aberdeen region has the lowest exclusion rating. This means that the city is the most likely to adopt digital technologies. This is largely due to high skills levels, demand and a desire to use digital technology. (Despite this latent willingness to use digital technologies supply lags behind demand and there are gaps across the region particularly in Aberdeenshire in the availability of high-speed broadband to key business centres.) This is partly due to lower population density, a lack of competition from suppliers and a lack of research into the potential market opportunities.
36. The City Deal will support increased delivery of ultrafast fibre connectivity supporting a region wide sensor network. In turn, this investment will feed a regional data platform from which business, residential and public services can develop innovative applications.
37. Priority will be given to connecting ultrafast fibre to the business and industrial parks across the region. To make rural areas more competitive will require investment in ultrafast fibre along the development corridors to key employment centres and leisure locations:
- The A944 to Kingswells and Westhill;
  - The A96 corridor to Blackburn, Kintore, Inverurie and Huntly; and
  - The A90 southbound to include the major industrial estates at Portlethen and Stonehaven.
38. While there are obvious connectivity benefits for people and businesses there are also benefits for the 'Internet of Things'. Key to this will be the deployment of sensors across the region to collate data on traffic flows, environmental issues such as flooding, people flows, stability of the built environment and many other applications.
39. The UK Government and Scottish Government's contribution will be up to £10 million (£5 million from UK Government and £5 million from Scottish Government), subject to the approval of full business cases. Up to a further £7 million contribution will be made together by Aberdeen City Council and Aberdeenshire Council leveraging an anticipated £15 million from the private sector.



## **Harbour Expansion**

40. Aberdeen Harbour (the 'Harbour') is the principal commercial port serving the North East of Scotland and one of Europe's leading marine support centres for offshore energy. In order to accommodate existing and future demands from harbour users the Aberdeen Harbour Board (AHB) is considering expanding the Harbour into Nigg Bay, which is to the south of the existing harbour.
41. The proposed project is listed in the Scottish Government's National Planning Framework 3 (June 2014) as one of "Scotland's Key Gateways". Scottish Government has said that the project has regional and national significance and its expansion will "strengthen its key role in supporting the economy in the North East". The cost is likely to be in the region of £375 million.
42. The City Region Deal will contribute to the project initially through a commitment of up to £25 million from both the UK Government (£12.5 million) and the Scottish Government (£12.5 million) towards off-site non-operational road infrastructure improvements (subject to an acceptable business case). The investment of up to £25 million in supporting infrastructure is predicated on the delivery of the core harbour expansion project by Aberdeen Harbour Board. Aberdeen City Council and Aberdeenshire Council will invest up to £11 million, subject to the project going ahead.

## **Strategic Transport Appraisal**

43. The North East of Scotland will shortly benefit from substantial investment in its strategic transport infrastructure including:
- The construction of the Aberdeen Western Peripheral Route;
  - Balmedie to Tippetty dualling;
  - Haudagain junction improvements; and
  - Rail upgrade between Aberdeen and Inverurie.
44. Work to begin dualling the A96 between Aberdeen and Inverness is also being planned.
45. In order to realise the full potential of the area a transport appraisal (supported by UK Government and Scottish Government, Transport Scotland and local partners) will take a 20 year strategic view of the transport implications of the investment unlocked by this Deal across all modes including road and rail. This work will commence in 2016 and will be based on Scottish Transport Appraisal

Guidance. The appraisal will recognise the priorities of local, regional and national transport plans and programmes as well as the existing work outlined above.

46. The scope of work will include addressing issues at key gateways into Aberdeen; enabling safe, reliable and attractive connections (road and public transport) along key strategic corridors which promote economic growth; tying together transport infrastructure and development planning/management, on a city/region basis; and facilitating the City Centre Masterplan.

47. Together the UK Government and the Scottish Governments will invest up to £5 million (£2.5 million from UK Government and £2.5 million from Scottish Government) with Aberdeen City Council and Aberdeenshire Council together contributing up to a further £2 million. The work will be led by Transport Scotland with a steering group including NESTRANS, Aberdeen City Council, Aberdeenshire Council, and the Aberdeen City and Shire Strategic Development Planning Authority.

### **Governance and Implementation**

48. Clear governance provides assurance to the UK Government, the Scottish Government, Aberdeen City Council, Aberdeenshire Council and the wider Aberdeen regional partners that there is open and transparent decision making, governance and project delivery.

### **Aberdeen City Region Deal Joint Committee**

49. Central to the governance arrangements will be a new Aberdeen City Region Deal Joint Committee, established under the Local Government (Scotland) Act 1973 to oversee the implementation and monitoring of the Aberdeen City Region Deal. It will work with both Governments to ensure delivery of the Aberdeen City Region Deal.

50. There will be nine seats on the Joint Committee, made up of three representatives from each of the administrations of Aberdeen City Council and Aberdeenshire Council, and the Board of Opportunity North East.

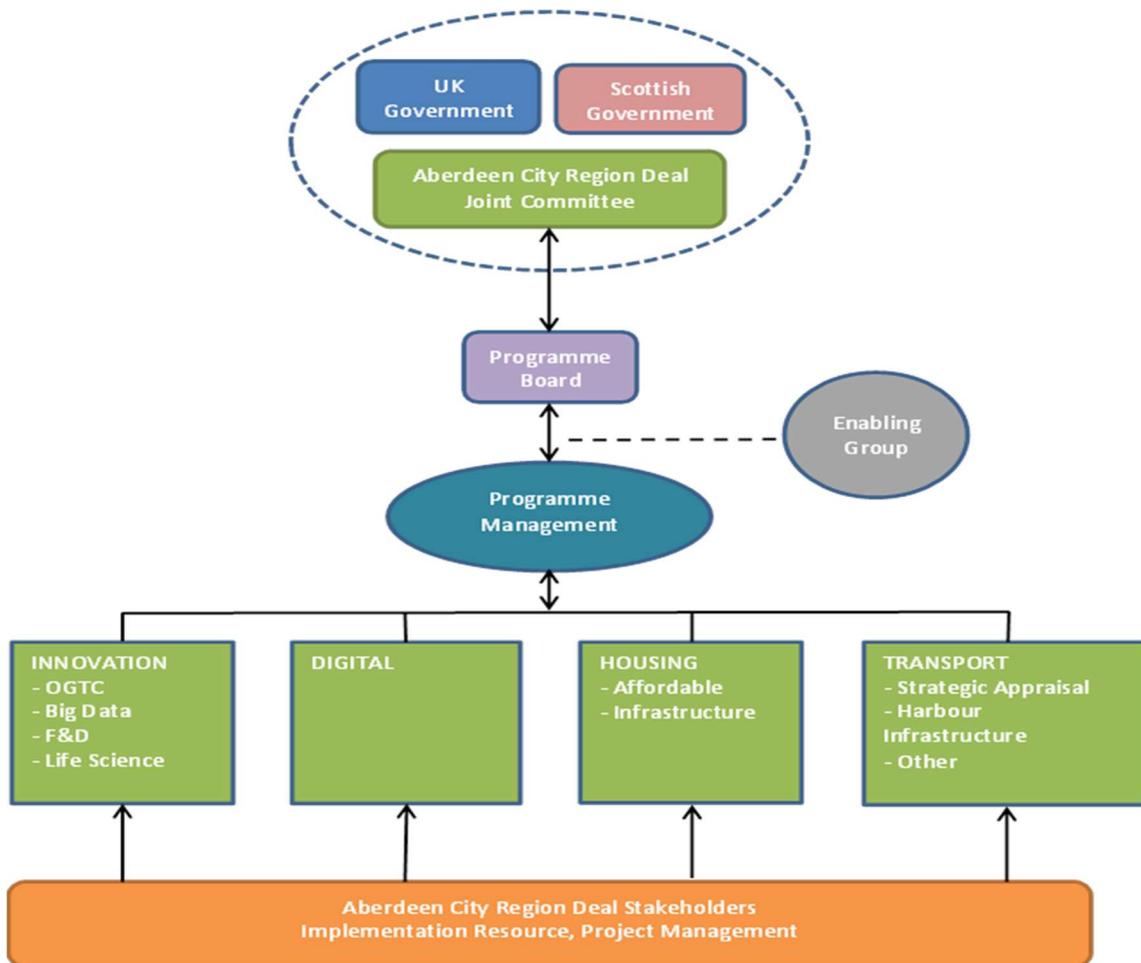
### **Governance Structure**

51. The governance structure of the Aberdeen City Region Deal is shown below. The regional governance will take on a wider strategic role beyond the City Region Deal, considering broader

infrastructure investment such as housing that sits outside of the Deal which will impact on its effectiveness.

**Communications**

52. A shared communications strategy and protocol has been developed to ensure that the Deal communications meet the needs of the regional partners as well as the UK and Scottish Governments



## **Annex B – Regional Economic Strategy 2018 – 2023 Action Plan**

A pdf of this report is included in the dropbox for this meeting. It is also available [here](#).

## **Annex C – Submission from Opportunity North East**

### **What is your vision for the future of the north-east economy**

The Renaissance vision for the economy of North East Scotland comprises three elements.

- Establishing a leading position in energy transition; maximising the economic recovery of UK offshore oil and gas reserves and transitioning Aberdeen to a global innovation and technology centre; anchoring the oil and gas supply chain post North Sea production through internationalisation and diversification; and positioning the region as a Global Energy Hub.
- The economy becoming broader and more resilient through growth in the other key industry sectors and sustained economic performance being distributed across the city and region.
- Continued investment in the region and its economic base enhancing competitiveness and quality of location and attracting international business and talent.

This vision is at the heart of the Regional Economic Strategy for Aberdeen City and Aberdeenshire, published in December 2015 by co-signatories Aberdeen City Council, Aberdeenshire Council and Opportunity North East.

### **Opportunity North East**

Opportunity North East (ONE) is the private sector's response to the long-term economic challenges facing North East Scotland. Formed in November 2015, ONE has a unique leadership and delivery role in accelerating economic diversification activity in the region. ONE is industry-led, privately funded, region-specific and focuses on action to achieve business growth and safeguard or create employment. With an investment commitment of £62 million over 10 years from The Wood Foundation, ONE catalyses partnership working and co-investment with the aim of leveraging match funding from the private and public sectors to deliver transformational programmes and projects at pace.



More than 90 senior businesspeople and leaders from the higher education and public sectors are involved in ONE's main and strategic sector boards, bringing leadership and expert insight to the development and delivery of the regional economic renaissance strategy.

ONE works through its main and sector boards to target transformational opportunities in the region's food, drink and agriculture; life sciences; oil, gas and energy; tourism; and digital sectors; and in the entrepreneurial environment.

ONE's sector specific programmes of activity focus on transformational projects, business growth, digital transformation, internationalisation, cluster development, leadership and partnership working.

ONE has developed and is leading on the delivery of transformational projects, including the sector innovation hubs for digital and entrepreneurship; food, drink and agriculture; and life sciences, which will be the focal points for cluster growth activity in the region. ONE is also involved in the creation of the next generation of Transformational projects.

Since November 2015, ONE has approved project funding of £14.2m and attracted matched funding from partners of £42m. ONE is co-developing and delivering projects and programmes in the region with partners including Scottish Enterprise, Scottish Development International, Skills Development Scotland, Scotland Food & Drink, CodeBase, Aberdeenshire Council, Aberdeen City Council, Robert Gordon University, University of Aberdeen, Scottish Government, ANM Group, SRUC and Quality Meat Scotland. In addition to its own projects and programmes, ONE is the private sector partner in the £250m Aberdeen City Region Deal and is the lead partner for the Deal's £210m of sector-specific innovation projects.

ONE's goals are to:

- Work with others to lead the development and delivery of the region's economic Renaissance strategy driving transformational change to strengthen and diversify the North East economy
- Maximise the oil, gas and energy opportunity for the region to play a major role in Energy Transition and anchor the supply chain long term through internationalisation and diversification with the goal of doubling exports in the supply chain by 2035.
- Grow the region's food, drink and agriculture sector to accelerate the growth rate to match the Scotland Food and Drink Ambition 2030 target of 5% growth per annum.
- Build the region's life sciences sector, doubling the size of the company base by 2027.

- Accelerate growth in tourism in the region to exploit new business and leisure opportunities and increase visitor expenditure from £600m to £1bn by 2023.
- Develop the region's digital economy with a specific focus on industrial digital with a target of growing 10 to 20 companies with a turnover of circa £20m and international aspiration by 2023 through access to regional sectoral opportunities.
- Contribute to an entrepreneurial environment that enables business creation and growth across all sectors and at all stages of the entrepreneurial journey.

These have been developed with industry and stakeholders, reflect the opportunities within the region and its key industries, and are aligned with sector-specific, regional, Scottish and UK economic development priorities and strategies.

For the work within the energy sector, OGUK's Vision 2035 and recently launched Roadmap 2035 provides an important framework for the work we do to support the oil and gas industry and its supply chain to play a key role in the transition to net zero. Similarly, the Committee for Climate Change report, the Sector Deal for offshore wind and the CCUS Cost Challenge Taskforce report are other examples of key strategic initiatives that provide the context for our ambition and the work we do.

**What are the likely impacts of the energy transition on business and workers currently in the oil and gas industry?**

This region, the oil and gas sector and its supply chain are already actively responding to the energy transition. This is evident in major offshore renewable projects that are happening in the north east. For example, Equinor's £152m investment in Hywind floating wind farm; Vattenfall's £300m investment in the European Offshore Wind Deployment Centre – Scotland's largest offshore wind demonstration facility –and the Kincardine floating wind project are all world leading for different reasons. Aberdeen has invested £35m in hydrogen production, refuelling infrastructure and hydrogen powered vehicles and has been one of the first UK cities to do this. And the Acorn Carbon Capture project in Peterhead builds on the reuse of offshore infrastructure, geological expertise and supply chain expertise. These are examples where the oil and gas industry's commercial, engineering, design and technical skills, knowledge and expertise are being applied to advance the scaling of offshore renewables and other energy sources.

ONE and Scottish Enterprise have been jointly delivering a project to support diversification of the oil and gas supply into new sectors that will help accelerate the energy transition. Scottish Enterprise research has shown that the supply chain has increased its sales coming from non-oil and gas markets from 22% to almost a third (32%) in a year, demonstrating the pace of change.

Following the recent government commitments to the new climate change targets (UK net zero by 2050; Scotland net zero by 2045), the UK energy industry will need to be transformed over the coming decades. Although oil and gas will continue to be a key part of the UK primary energy mix, the contribution of other energy sources will be increasing significantly. The UK's oil and gas sector has the skills, assets and capabilities, along with a proven track-record of developing, implementing and managing large and complex projects, to be a critical part of the solution. This expertise and capability can be readily applied to new low carbon agenda, including industrial scale carbon capture utilisation and storage and hydrogen production.

This changing energy mix requires research, development and innovation into technology solutions and into commercialisation and new business models and it will need investment in physical infrastructure (e.g. potential for new manufacturing opportunities arising from offshore wind). It will lead to new investment models, opportunities for new business creation, increased application of digital solutions and upskilling and reskilling of existing workforce. For the latter point, the UKCS workforce dynamics report by OPITO in partnership with RGU has provided very useful evidence.

**What are the main barriers to realising your future vision for the north east? What can Government do to help facilitate this transition?**

It is critical that the Government continues to recognise and support the ongoing role the UK oil and gas sector will play in the energy mix as we move towards net zero. As the Committee for Climate Change report clearly recognised, the indigenous offshore oil and gas industry needs to be a key part of the diverse energy mix going forward and is not in competition with renewables. Official figures show that production from our offshore industry will be needed to meet two thirds of the UK's oil and gas energy needs, while the gap between what we produce and what we need to heat our homes and fuel our cars is made up from imports, shipped from across the world often with a bigger carbon footprint, It's why the Climate Change Committee report talked about "energy sovereignty"

and the need to make up that demand from domestic resources while we transition to a lower carbon future.

Place making investment (infrastructure, R&D, innovation, skills and inward investment) needs to be supported to accelerate growth in the new energy transition cluster.

To meet the ambition of 75GW from offshore wind by 2050, the Government needs to ensure that the time taken for offshore wind projects to go through the consenting process is accelerated and the process streamlined.

We ask the Government to recognise the critical role the oil and gas sector plays and will continue to play in the energy transition, the difficult period of economic readjustment the North East of Scotland faces as the North Sea oil winds down and therefore ensure the necessary ongoing investment in critical infrastructure is prioritised – both transport and digital, as well as new proposals such as one for an energy transition park which is currently being developed.

The oil and gas sector will continue to make a significant contribution to the economy of the North East of Scotland and to the wider economy and has the potential to have a big positive impact on the Scottish net zero carbon target.

## **Annex D – Submission from Dr Leslie Mabon**

### **OVERVIEW**

The purpose of this document is to provide a summary of the main findings of social science research undertaken in north-east Scotland, and analogous regions in northern Japan, on the social and cultural implications of a just transition for carbon-intensive regions. Whilst one of the more immediate implications of a just transition is employment for those working in carbon-intensive industries, it is also true that such industries inform the areas in which they are located through, for example, built environment configuration, work and consumption practices, and sense of local identity. The inclusion of these broader elements within the scope of the Just Transition Commission is therefore welcomed.

The research in this summary has been ongoing since 2014, and led by Dr Leslie Mabon of Robert Gordon University. Most of the work has been based on interview- and focus group discussions with stakeholders (such as trade unions, environmental NGOs, and local government) and informed members of the public, however some work has also involved policy analysis. It is important to clarify that some of the research –

particularly in Scotland – was supported by projects with an interest in carbon dioxide capture and storage technologies. However, in these cases, CCS was used as a point of departure for wider social science consideration of what a just transition may mean in a carbon-intensive region. The material reported here reflects findings relating to this wider context.

## **KEY FINDINGS FROM RESEARCH IN SCOTLAND**

Research to date in Scotland (especially the north-east) has drawn out a breadth of findings. Within these, the following may be of particular interest to the Just Transition Commission:

- There is an expectation among publics and stakeholders that local and regional governments take on a greater role in setting out a vision of what an appropriate and just transition ought to look like for the north east of Scotland [1,2];
- There is also increasing attention in Scotland towards the connection between a just transition, and climate justice more widely. Opinion-shapers from the environmental NGO sector are particularly sceptical of the ability of private-sector operators to act in the interest of communities or wider society, and of any role for fossil fuel industries in a just transition. This may pose challenges for just transition pathways which involve collaboration with the private sector on carbon-intensive activities, such as carbon dioxide capture and storage [2,3];
- Nonetheless, there is also an awareness of the distinction between operators of carbon-intensive industry, and the people working within the industry. There was broad understanding across Scotland (not just the north-east) that people whose livelihoods depend on carbon-intensive activity may have legitimate concerns about climate change imperatives which need to be respected. Skills in problem-solving under challenging conditions; and a sense of pride in having supported the country through work on the North Sea, were viewed as positive traits which had been instilled in the North Sea workforce through oil and gas activity, and which could be deployed as a force for good elsewhere to facilitate a just transition [2].

## **RELEVANT INSIGHTS FROM INTERNATIONAL RESEARCH**

In addition to the Scotland-specific findings, there is also a body of work from Hokkaido in northern Japan. This has looked at the carbon-intensive cities of Yubari, Tomakomai and Muroran, which have transitioned

away from fossil fuels with varying degrees of success. As previous, insights which may be particularly relevant to the Scotland context are:

- The effect that carbon-intensive industries can have on the configuration of the built environment, and the constraints this can place on making a sustainable transition within a locality. For instance, coal mining in Yubari City left a legacy of housing, schools and hospitals built for the coal industry, which the local authority had to assume liability for and which contributed to the city's bankruptcy in the mid-2000s [4];
- The connection between industry, industrial infrastructure, and sense of place and identity. In both Muroran and Tomakomai, local governments are working to position the city's infrastructure and local character as something which can be repurposed as a force for good in the low-carbon transition. In Muroran, this takes the form of linking steelmaking to manufacture of wind turbines; whereas in Tomakomai, it involves connecting oil refining to pilot-scale carbon capture and storage technologies [5,6];
- The recognition that can exist, even within communities heavily dependent on carbon-intensive industry, of the need for urgent action on climate change. This urgency can be spurred on by anecdotal/observational evidence of environmental change in the locality, for instance decreasing snow/ice levels or changes in marine wildlife [6].

## **UNDERPINNING RESEARCH**

The research on which these findings are based has been supported by a number of sources. These include: Regional Studies Association Early Career Grant (Hokkaido research); ESRC-AHRC UK-Japan Social Sciences and Humanities Connections grant (Hokkaido research); involvement in the EU ERA-Net-supported ACT-Acorn project (north-east Scotland research); UK CCS Research Centre International Collaboration Fund grant (Hokkaido research); and Scottish Carbon Capture and Storage CO<sub>2</sub>-Enhanced Oil Recovery Joint Industry Project.

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