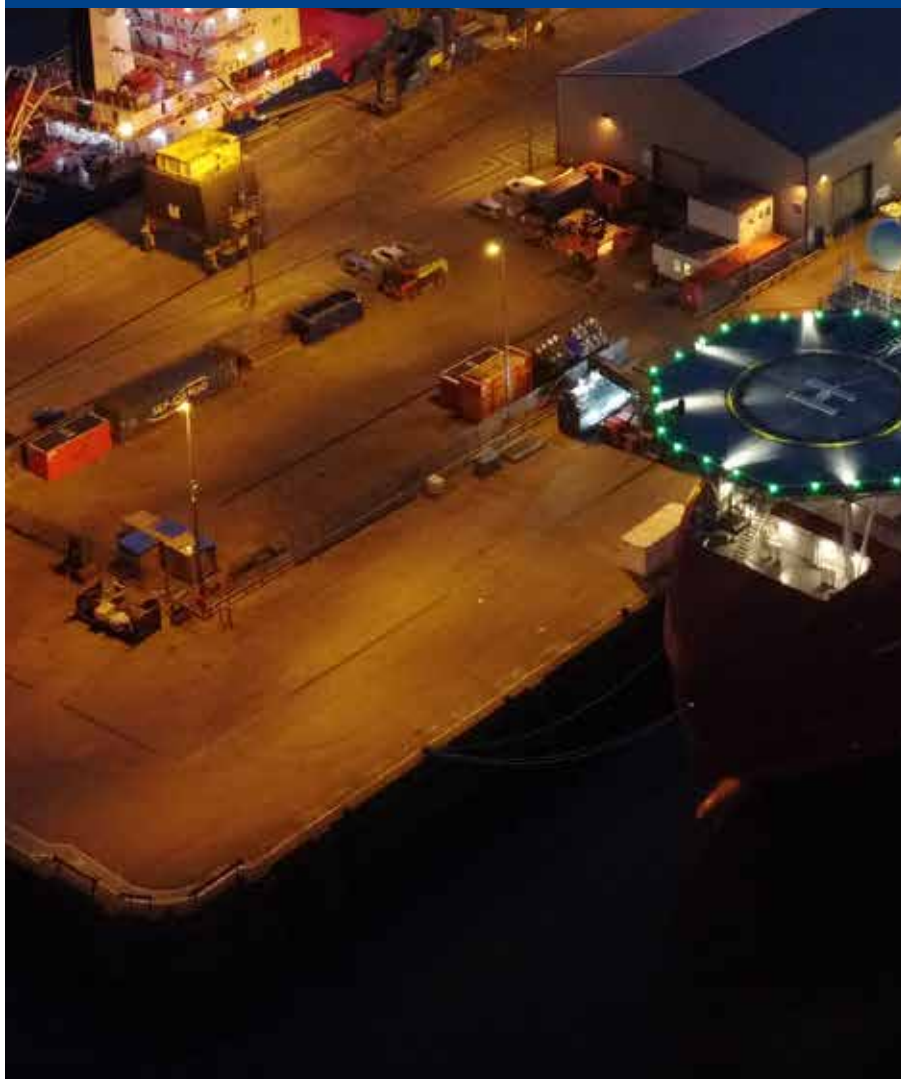




Aberdeen City & Peterhead Region
FREEPORT / GREEN PORT
Notice of Interest



Introduction

The Scottish Government is committed to the publication of a full Applicant Prospectus and launch of a selection process for the designation of freeports in Scotland as soon as possible. In advance of publication of the full Applicant Prospectus and commencement of a selection process, the Scottish Government is now seeking to gauge the level of interest by inviting potential applicants, including multi-applicant partnerships, to note their interest in participating in a competitive freeport selection process.

This document is our notification to participate in a competitive freeport selection process.



Proposed Freeport Name: **Aberdeen City & Peterhead Region Freeport**

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Organisations: This is a multi-applicant partnership on behalf of Aberdeen Harbour Board, Peterhead Port Authority, Aberdeen International Airport and supported by Aberdeen City Council and Aberdeenshire Council.

Proposed Freeport Location: The proposed location of the freeport is within the Aberdeen City Council and Aberdeenshire Council areas and includes:

- **St Fergus / Peterhead / sites around Peterhead Power Station and south along the Energetica corridor**
- **Aberdeen Harbour North**
- **Aberdeen Harbour South**
- **Aberdeen International Airport**

Work is underway to provide site maps, details of proposed customs sites and the rationale for the proposed sites and subzones.

Note: The term freeport is used in this notice of interest until such time as the UK and Scottish Governments conclude their negotiations on the process.





Strategic Case

Green ports are a Scottish programme targeted at contributing to realising the levelling up agenda, delivering sustainable and inclusive growth in local communities, supporting the transition to net zero and the UK's post-Covid economic recovery.

The Aberdeen City & Peterhead Region offer aligns closely with the Scottish Government objectives. The region has been a major contributor to Scotland's and the UK's economic performance for many years, largely due to the success and growth of the oil and gas industry.

Aberdeen City Region has strong foundations to build on in becoming an energy capital of Europe:

- **More than 50 years of expertise and reputation in delivery from oil and gas, with a legacy skills base**
- **Networks and relationships with the hydrogen and wind sector partners and stakeholders**
- **Existing and prospective developments - e.g., the harbour expansion development, Carbon Capture and Storage and blue (and eventually green) hydrogen production at St Fergus, Aberdeen Energy Transition Zone**

Economic Case

Aberdeen City Region has been an extremely productive economy for over thirty years. The city region had the 2nd highest GVA per capita in 2019 in Scotland and boasts a business birth rate consistently among the highest in Scotland. The region is a huge wealth creator. A Centre for Cities analysis found that the region generated £0.5bn more in economy taxes than it received in total public expenditure. Further since 1970, direct taxes from the production of oil and gas have totalled around £350bn.

An initial feasibility study on the benefits of the freeport concluded that there is a case to be made for freeport designation in Aberdeen City & Peterhead Region. Conservative estimates suggest that securing the Aberdeen City & Peterhead Region Freeport will deliver over 14,000-22,000 jobs over a 10–15-year period, many of which will be high-skilled and high-value jobs, attracting new talent and new investment into the region to cement its status as a major UK economic hub.

The tax offering would be highly attractive to investors, particularly those planning on making capital expenditure, or who will have a substantial workforce. An initial feasibility study suggests this could equate to an equivalent of a 20% saving on the capital invested depending on the specifics of the business. These would be of particular benefit to businesses likely to be attracted to a freeport including:

- **fish processing – initiatives are being designed with the sector to modernise and transform regional processing capacity, with a particular focus on innovation and automation;**
- **Carbon Capture, Usage and Storage (CCUS), harnessing legacy infrastructure alongside new innovations to reduce the UK’s direct carbon emissions;**
- **Hydrogen production, both through new technologies in terms of carbon conversion and through green production facilities which source their energy requirements from the region’s offshore wind installations;**
- **and Offshore Wind – particularly the design, build, operations and maintenance of new facilities due to be delivered through the Scotwind leasing round.**

There may also be customs levers to businesses in particular relating to offshore wind, CCUS and Hydrogen.

Discussions are continuing with a number of live inward investment leads for location to the area in response to energy transition activity. Depending on the model, a freeport designation with incentives to attract additional inward investment to Scotland could secure these companies’ location to the region.

The region is therefore a prime destination for inward investment in alternative energy research, innovation and commercialisation to lead the transition.

- **Aberdeen City Region is already taking steps to deliver net zero and has experience leading in several energy transition projects**
- **Freeport status in the region could help to attract new trade and manufacturing activity, boosting investment and employment**
- **It would also support the regeneration of under-utilised industrial areas, through the development of net zero solutions and low-carbon technologies.**

Commercial Case

Freeports have the potential to have a catalytic effect on specific port locations by:

- **Supporting port centric manufacturing and distribution and creating jobs and GVA**
- **Driving growth and investment in priority areas such as Energy Transition**
- **Reinforcing clustering and generating agglomeration benefits driving up productivity and innovation**
- **Off-setting the effects of sectoral decline, for example in oil & gas, and supporting efforts to achieve rapid growth in offshore renewables**
- **Embedding the high value manufacturing components of offshore wind for example into a location rather than just operations and maintenance**

The Ports of Aberdeen and Peterhead face long-term decline in an Oil & Gas industry that has supported the region for 40 years and commercially needs to replace those declining revenues with alternative sources of income and profit.

Utilising the potential benefits outlined above would enable the ports to use existing offshore skills, technology and expertise in the Energy Transition sphere, creating commercial opportunities in renewables, decommissioning, alternative fuel production, storage and consumption.

Not only would that generate demand for port services over the longer term to the benefit of the industry, it would mitigate the employment and productivity loss from a long-term decline in the current core sector.

New activity around renewables and alternative fuels would enable the wider region to diversify into other high value employment areas such as high-value, port centric manufacturing and distribution.

Aberdeen is at the forefront of efforts to enable an energy transition to maintain the region's pre-eminent status as a key global energy hub and is working closely with ETZ (Energy Transition Zone) Ltd to set up an enabling infrastructure adjacent to the new South Harbour to support that transition.



Peterhead is already the largest fishing port in the UK and a major European hub for the sector, handling over £210m of fish each year. However too much of this high value commodity leaves Scotland with little or no value-added processing. The port aims to develop a seafood processing hub, targeting indigenous growth as well as inward investment from large scale international processors. The modern facility will encourage the use of the latest technology and environmental standards. The port has been negotiating with a specific anchor tenant who would establish a large facility at the port site and work with partners over development of a remote seafood processing hub.

It is widely recognised that the Scottish and UK governments cannot meet its net zero emission obligations without use of carbon capture and storage. St Fergus and Peterhead are at the forefront of this opportunity and can make a meaningful contribution to the Scottish targets through the Acorn project. This provides an essential store for UK captured CO2 from various industrial and power generation sites but also the opportunity to develop a valuable import business to store carbon captured elsewhere in Europe. The area has the opportunity to be a world leading hub on several related technologies and this expertise can be exported around the world. Blue hydrogen will be manufactured from the gas coming ashore at St Fergus and several offshore Scotwind sites are located close to north east Scotland and offer the prospect of large-scale blue hydrogen production. Together this represents another valuable export opportunity through the port. The scale and speed of these developments will be enhanced by the benefits offered by a freeport site. Together these opportunities could involve handling several million tonnes of cargo per annum, with the resultant benefit to the local economy and supply chain.

In summary, if effectively targeted, freeports could help create and reinforce dynamic port-centric clusters that make a significant contribution to the Scottish Government's net zero aspirations.

If investment is targeted at the right locations and right sectors freeports could have a catalytic impact on jobs productivity and net zero ambitions. A location such as Aberdeen City & Peterhead Region which is home to a well-established, mature energy cluster with the associated supply chain, R&D institutes and facilities and a significant fishing industry would ensure that freeport benefits were maximised.





Governance

Port operators are key to a bid, but both local government political leaders and wide regional stakeholders would form part of any bidding process and support the proposals of a freeport. Although a formal governance is not required to be in place at the time of a bid, the informal steering group involving officers of both Councils, the two ports and the airport will continue to assess the case for a bid, if a decision is made to proceed, in the form of an agreed 'co-operation plan'.

If a decision is made to bid, and that bid was successful, both Councils, the two ports and wider regional stakeholders would be represented on any formal governance to deliver a freeport.

Aligned to the Regional Economic Strategy, the regional partners have a long history of working together to meet the ambitions set out for region. This can be seen through the Aberdeen City Region Deal, which is the only Deal which sees 59% of funding from the Private Sector, and a Joint Committee consisting of both Councils and Opportunity North East (ONE). The Deal governance structure ensures that there is involvement from other key stakeholders, such as Scottish Enterprise, Universities, private and public sector, through the Programme Board, Company Boards and Working Groups.

Stakeholder Engagement

Following the UK Government announcement of its Freeport policy in 2020, a "Chief Executive's Group" made up of Aberdeen Harbour Board, Peterhead Port Authority, Aberdeen City Council and Aberdeenshire Council was convened to provide leadership and explore the potential of a Freeport being delivered in the Aberdeen City & Peterhead Region. All parties expressed an interest at that early stage, for further consideration, once the arrangements for devolved governments were clear. The work of the Chief Executives Group accelerated in the early part of 2021 following the announcement by the Scottish Government of a freeport programme in Scotland.

In March 2021, based on information gleaned from the UK Freeport prospectus, the successful bids being announced for England and the publication of the Scottish Government's draft Applicant Prospectus, the four partners agreed to co-fund a feasibility study for a freeport in Aberdeen and Peterhead (potentially also covering sites along the A90 corridor between the two anchor locations). The study took known information into account and considered the advantages that the region could gain from freeport designation, particularly in terms of its unique sectoral and industrial mix.

Informal stakeholder engagement has been ongoing alongside the feasibility study work, particularly with national and regional organisations who will have a direct role to play in the next phase of any Aberdeen City & Peterhead Region Freeport bid. These organisations include:

- **Aberdeen International Airport (recently agreed to be a formal partner to the proposal)**
- **Opportunity North East**
- **Energy Transition Zone Limited**
- **Two regional universities**
- **Nescol (North East Scotland College)**
- **Net Zero Technology Centre**
- **Representatives from the seafood processing sector**
- **Investors who are interested in bringing significant capital investment to the region**

Each of the four initial partners to this work has taken the findings of the feasibility study to their relevant Committees or Boards and each organisation has approved their ongoing engagement in bid development, subject to the detail of the freeport prospectus being confirmed. Further work to support bid development and site identification is in the process of being commissioned.



Disclaimer: This notification of interest does not commit any of the prospective partners to a bid. That decision will be further informed by final guidance and commercial decision by interested operators.

