

Agenda Item	14
Report No	HC/20/22

HIGHLAND COUNCIL

Committee: Highland Council

Date: 30 June 2022

Report Title: Opportunity Cromarty Firth – Green Freeport Bid

Report By: Executive Chief Officer Infrastructure, Environment & Economy

1 Purpose/Executive Summary

- 1.1 This report provides an update on the Opportunity Cromarty Firth (OCF) project and in particular seeks approval by homologation of the Council's support for the OCF Consortium's bid for Green Freeport status. This follows a series of reports and presentations to the Economy & Infrastructure Committee and Full Council over the last two years that have highlighted the project's benefits for addressing the local and national transition to net zero, creating lasting high-quality employment in a green economy, regenerating and strengthening communities and reversing demographic challenges.
- 1.2 The Council has been a member of the OCF Consortium from an early stage, supporting the work that has culminated in this important stage. As a key project that delivers against local and national outcomes its delivery is reinforced by the Council's Indicative Regional Spatial Strategy, the emerging Inner Moray Firth Local Development Plan and the emerging vision for a net zero Highland.

2 Recommendations

- 2.1 Members are asked to:
- i. **note** the summary and update on the OCF Project including the OCF Consortium's bid for Green Freeport status, as outlined in Section 4;
 - ii. **agree by homologation** the Council's support for the OCF project and Green Freeport bid as set out in the letter of support prepared and signed by the Leader of the Council at **Appendix A**;
 - iii. **agree** for the Council to continue its support for the Consortium and relevant communities in enabling the delivery of OCF and promoting its benefits to the region and Scotland/UK; and
 - iv. **note** that the result of the Green Freeport competition is due to be announced later in 2022 and next steps will be reported to a future Committee.

3 Implications

- 3.1 **Resource** - Officers are expected to continue to advise and contribute to the Opportunity Cromarty Firth project and ensure it remains aligned with Council ambitions. As an instrumental project in delivering against a range of local and national outcomes any resource implications for Council services are expected to be accommodated within existing budgets. A successful bid for Green Freeport status is expected to generate significant income over the long term, including the retention of business rates to address a range of priorities and delivering the necessary infrastructure and services to maximise benefits for the region.
- 3.2 **Legal** - There are no legal implications arising from this report, but further consideration of the implications will be required at key stages moving forward. A successful Green Freeport bid would require the formation of a new company limited by guarantee on which the Council would be represented by a senior elected Member acting as 'Director' alongside others representing key OCF partners.
- 3.3 **Community (Equality, Poverty and Rural)** - One of the key measures for securing Green Freeport status and a characteristic of the OCF bid is the contribution towards key local and national outcomes such as regeneration, creation of high-quality jobs, diversifying skills, fair work and decarbonisation. Opportunity Cromarty Firth is looking at maximising the socio-economic benefits for not only the Easter Ross area, which suffers from areas of multiple deprivation, but also for the wider Highland region, Scotland and the UK.
- 3.4 **Climate Change / Carbon Clever** - The Opportunity Cromarty Firth project is centred around supporting offshore wind energy projects planned for the Moray Firth, North, Northeast and East identified in the Scottish Government's Marine Plan and maximising the benefits for the north of Scotland. OCF's potential for Green Freeport status is significant as it would accelerate the local and national transition to net zero. Together with the creation of a green hydrogen hub in Highland it would help to deliver the Council's decarbonisation targets whilst supporting a just transition to a net zero economy, transport network and communities.
- 3.5 **Risk** – Failure to secure Green Freeport status might impede the scale and pace of delivery of the OCF vision and the Council's ambitions for decarbonisation.
- 3.6 **Gaelic** - None arising from this report.

4 Context

- 4.1 Opportunity Cromarty Firth is a collaborative partnership of private, public and academic organisations committed to ensuring the Cromarty Firth and wider region becomes a major global hub for green energy. The overall aim is to maximise the unique economic and regeneration opportunities arising from a £multibillion, 50-year pipeline of offshore wind energy projects planned for the North Sea. It has real potential to reverse long standing socio-economic issues facing the region, in particular depopulation and the declining working age population and below average wage levels. An initial report by Biggar Economics, commissioned by OCF, found that the consortium's proposals can reasonably be expected to provide a further 20,000 jobs to those already expected in the windfarm construction phase alone.

- 4.2 Several major, interlinked projects continue to be the focus of Opportunity Cromarty Firth's plans. The first is the creation of a super-wind hub – establishing a renewable energy cluster which offers full supply chain services from manufacturing to operation and maintenance. To best utilise the area's rich natural assets and renewable energy generated a multi-partner initiative to establish one of the world's largest hydrogen hubs to produce, store and distribute hydrogen to the region, Scotland, other parts of the UK and Europe.
- 4.3 Alongside these developments sits the Power House - a new applied research centre, dedicated to developing floating offshore wind and green hydrogen technologies. The aim is to create a global centre of excellence and innovation, reinforcing Scotland's position as world leaders in floating offshore wind and green hydrogen opportunities at commercial scale. Taken together these components would establish Highlands as Global Centre of Excellence in renewable energy.
- 4.4 The plans would not only help to transform Highland communities but also act as the best catalyst for accelerating the UK and Scotland's transition to a thriving green economy, providing energy security and making a major contribution towards Net Zero targets. This is because independent reports have shown that the Cromarty Firth is the only location in Scotland able to deliver on the ambitions for offshore wind of the magnitude required in the UK Energy Security Strategy.
- 4.5 Opportunity Cromarty Firth represents a central component of [The Highland Council's Regional Spatial Strategy](#) which sets out the overarching vision for the region. OCF has secured cross-party support from elected Members, with several reports over the last 2 years:-
- report to Economy and Infrastructure Committee in November 2020;
 - Member workshop and report to Full Council in March 2021;
 - presentation by the OCF Consortium to the Economy and Infrastructure Committee in February 2022; and
 - report to Full Council on 10 March 2022.

In addition, a series of engagements and interactions have been held with a wide range of stakeholders, communities and local and national politicians over the last 2 years.

- 4.6 The review of the Inner Moray Firth Local Development Plan, currently at Proposed Plan stage, has allowed for close alignment with the key aims and plans of OCF with the Council's key planning document. The OCF proposition has helped shape the overall vision and spatial strategy, general planning policies and site proposals.
- ## 5 Opportunity Cromarty Firth – Green Freeport bid
- 5.1 Fundamental to realising Opportunity Cromarty Firth's plans is the prospect of securing Green Freeport status through a competition jointly launched by UK and Scottish Governments in March 2022. This was based upon a similar Freeport competition run in England in 2021 with additional emphasis on fair work and decarbonisation. The competition was recognised as being of vital importance to expedite the route to net zero for the region and for addressing a wide range of other Scottish and UK national outcomes. Green Freeport status will ensure that the OCF projects and benefits are delivered within relatively short timescales and embed them within the region for many decades to come.

- 5.2 An application for Green Freeport status was submitted by the OCF Consortium on 20 June 2022. A Council letter of support signed by the Leader of the Council was submitted as part of this bid and is enclosed at **Appendix A**. This was the culmination of the Council's ongoing support having been a member of the Consortium since its inception.
- 5.3 As explained on the Government's webpage, a Green Freeport is a large, zoned area within a defined boundary within which operators and businesses can benefit from a package of tax and other incentives through a combination of devolved and reserved levers. The proposed Green Freeport tax sites put forward as part of the OCF bid are shown in the maps enclosed at **Appendix B**, which are as follows:-
1. a cluster of sites in and around Invergordon comprising the Invergordon Service Base (CFPA), Railway Sidings, Admiralty Pier, Saltburn Pier and Cromarty Firth Industrial Park ;
 2. the area including Nigg Energy Park and Pitcalzean Farm; and
 3. a cluster of sites in Inverness connecting the Port of Inverness, Longman Former Landfill and the Inverness Campus.
- 5.4 A defining feature and benefit of the Green Freeport model is that the tax 'savings' related to developments and activities within the Green Freeport locations are then redirected to create additional funds to unlock and help address wider issues across a broader geographical area - such as green jobs, decarbonisation, diversifying skills, regeneration and key infrastructure. The proposed outer boundary for OCF and Highland is shown in the map at **Appendix C**. In line with a precedent set through the English Freeport competition, the set 45km outer boundary area has been redrawn to remove areas of sea and uninhabited areas. This has allowed for all main settlements in the Inner Moray Firth, as well as Dornoch, Golspie and Brora, to be included in the area within which the following funding opportunities can be spent:-
- £25 million in seed capital to deliver necessary infrastructure.
 - Local authorities retain 100% of uplift in non-domestic rates revenues for 25 years to invest upfront in infrastructure and skills programmes. Local authorities are also able to borrow against future business rates revenue.
- 5.5 Green Freeports applications will be marked against the degree to which they contribute to four key policy objectives:-
- **promote regeneration and high-quality job creation (lead objective)** - Green Freeports will help stimulate a net growth in jobs across innovative industries and sectors of the economy, creating high quality job opportunities, and sustainable inclusive economic growth;
 - **promote decarbonisation and a just transition to a net zero economy** - Green Freeports should be champions of decarbonising our economy while ensuring that it accords with a just transition to deliver on social, economic and climate goals;
 - **establish hubs for global trade and investment** – Green Freeports will generate increased economic activity across Scotland, and the wider UK and benefit from good inward investment; and
 - **foster an innovative environment** – Green Freeports will be dynamic environments that bring together innovators to collaborate in new ways, while offering controlled spaces to develop and trial new ideas and technologies.

5.6 The OCF Consortium are confident that they have developed a compelling and evidence-based proposal which demonstrates that a Green Freeport in Highland would be a game-changer for the area and take the whole UK in a more prosperous and sustainable direction.

6 Next Steps

6.1 The consortium will continue to work promote the bid in the lead up to the announcement of the successful bids, which is expected to be in late Summer/Autumn 2022. Consortium members will also continue to be proactive and work collaboratively in progressing the key projects outlined above.

6.2 Following the announcement of successful Green Freeport bids, applicants will be granted some revenue funding subject to an initial governance review to support governance set-up costs. They will also work with the UK and Scottish Governments to develop detailed business cases for their spending plans associated with the award of any additional funding offered to Green Freeports. It is anticipated that the first Green Freeport in Scotland will become operational in Spring 2023.

Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 15 June 2022

Authors: Scott Dalgarno, Development Plans Manager

Background Papers: [Green Freeports Applicant Prospectus](#)
[The Highland Council's Regional Spatial Strategy](#)



Kate Forbes MSP
Cabinet Secretary for Finance & Economy
Scottish Government
Edinburgh EH1 3DG
Sent via Email to:
kate.forbes.msp@parliament.scot

The Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing
& Communities
2 Marsham Street
London SW1P 4DF
Sent via Email to:
michael.gove.mp@parliament.uk

RB/rm
16th June 2022

Dear Ms Forbes and Mr Gove

Opportunity Inverness & Cromarty Firth Green Freeport

I am delighted to confirm the full support of The Highland Council for the proposal for a Green Freeport in Inverness and the Cromarty Firth and I commend this bid to you as a vital means of securing our collective drive towards a net zero economy. The Highland Council is the local and planning authority for all tax and customs sites proposed within the application, which are all located in the Inner Moray Firth area.

Highland is blessed with outstanding natural resources, a dynamic business and academic base, vibrant culture and creativity, excellent quality of life and a strong sense of community and belonging. But across the region we face significant challenges which mean we need to take every opportunity to harness these baseline strengths to promote sustainable economic growth and improved social inclusion.

In this context, it is our assessment that a successful bid for a Green Freeport located in Highland would, quite simply, be a game-changer for the area, and for Scotland. This is because, in the first instance, the Cromarty Firth is the only location in Scotland able to deliver on the ambitions for offshore wind of the magnitude required in the UK Energy Security Strategy. This cannot be delivered without a Green Freeport.

It is also because, supported by Green Freeport levers, there are significant opportunities to support private investment in bringing forward new business and jobs in exciting innovative sectors based in Inverness Harbour, Inverness Campus and Inverness Airport Business Park.

The breadth and scale of this opportunity is why we as a Council have long recognised the importance of the Green Freeport programme for Highland as part of our investment strategy www.investhighland.com, and which is reflected in our Indicative Regional Spatial Strategy and emerging Inner Moray Firth Local Development Plan.

We are more than ready in Highland to capitalise on the opportunity. Not only do we have the right geographical and physical conditions, but we are developing and

improving our infrastructure and we have the ambition to lead the way in reducing carbon emissions.

Achieving the £314m Inverness and Highland City-Region Deal in 2017, underpinned by Scottish and UK Government and Highland Council funding, was fundamental in helping to lay the foundations for growth in this area. The promise of this Deal was to set the scene for leveraging in additional hundreds of millions in private investment. A successful Green Freeport bid would certainly deliver on this promise. The support and backing of global leaders in industry is testament to this.

To ensure this transformational potential can be delivered, The Highland Council has been central to the development of the bid as an active member of the Opportunity Cromarty Firth partnership since its inception. We confirm that we stand ready to play a leading role in its implementation.

Specifically, I confirm that:

- The Highland Council will act as the Accountable Body for the Green Freeport. The Council will be accountable to Government for the Green Freeport's allocated revenue funding and seed capital funding.
- The Highland Council will be accountable for the expenditure of locally retained growth in Non-Domestic Rates on tax sites. While the Green Freeport Company will lead on the development of proposals for the investment of these funds, The Highland Council will sign off all distributions.
- As planning authority, The Highland Council will do all in its power to support developers on Green Freeport sites through the planning process. Most of the land in the proposed tax and customs sites have a specific allocation for business or industrial development in the existing adopted Local Development Plan as well as in the emerging new plan. Many already have approved planning. We have an excellent track record of enabling major development proposals. We are committed to continuing to be proactive in streamlining the planning process to support developments within the Green Freeport, for example through the use of Processing Agreements, Masterplan Consent Areas if appropriate, and engagement with our Key Agency Group for Highland.
- The Highland Council will have the right to appoint a member to the Green Freeport Company Board of Directors, and we commit to engaging fully and constructively in the future governance arrangements to ensure timely delivery of identified outcomes.

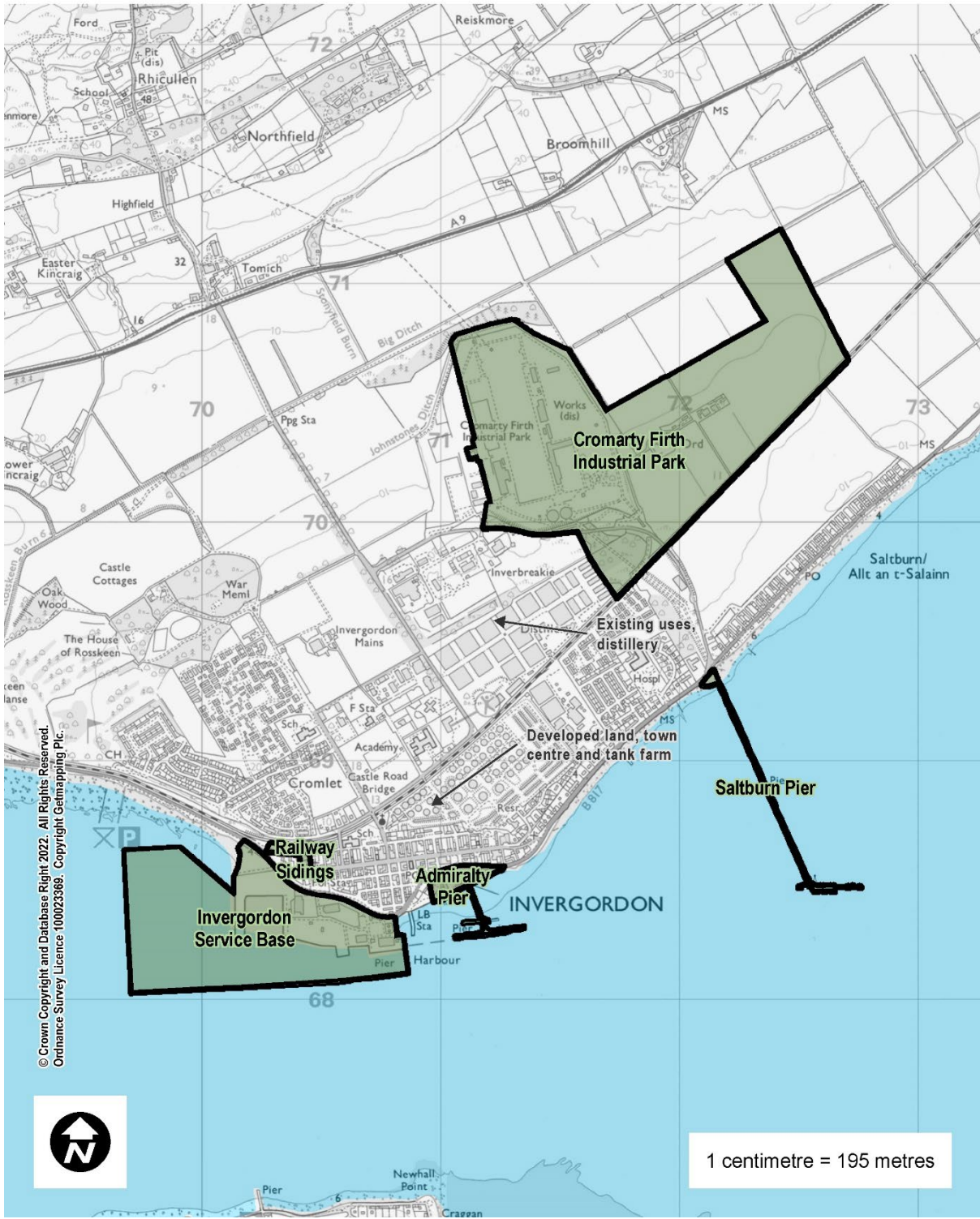
We are confident we have developed a compelling and evidence-based proposal for your consideration, and one which demonstrates the impact that a Green Freeport in Highland can have. Please do not hesitate to get in touch with me, or a member of my team, if there is anything that requires clarification, or any further detail required.

Yours sincerely

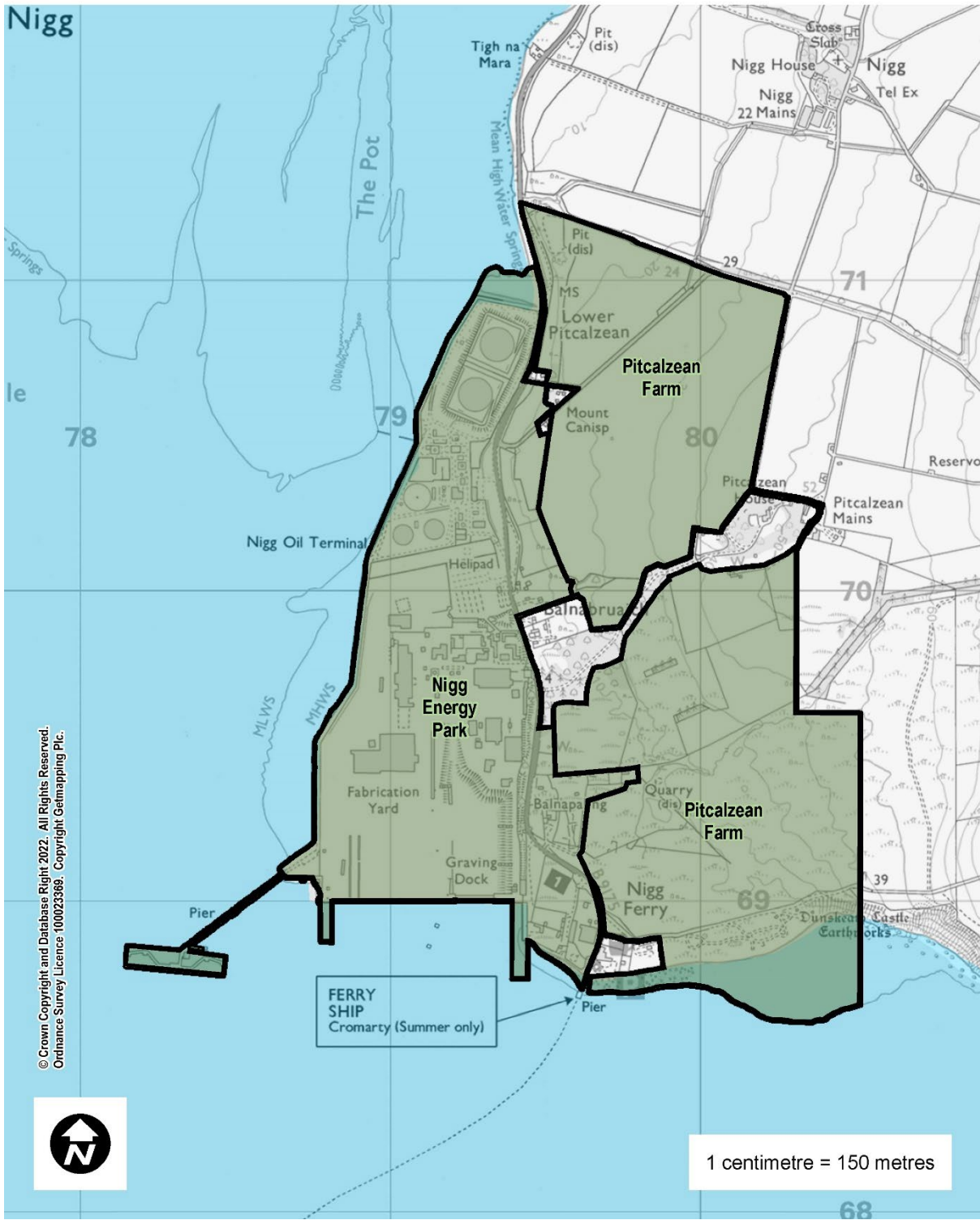
Councillor Raymond Bremner
Leader of The Highland Council



Inverness and Cromarty Firth Green Freeport Invergordon Tax Site (168.09 ha)

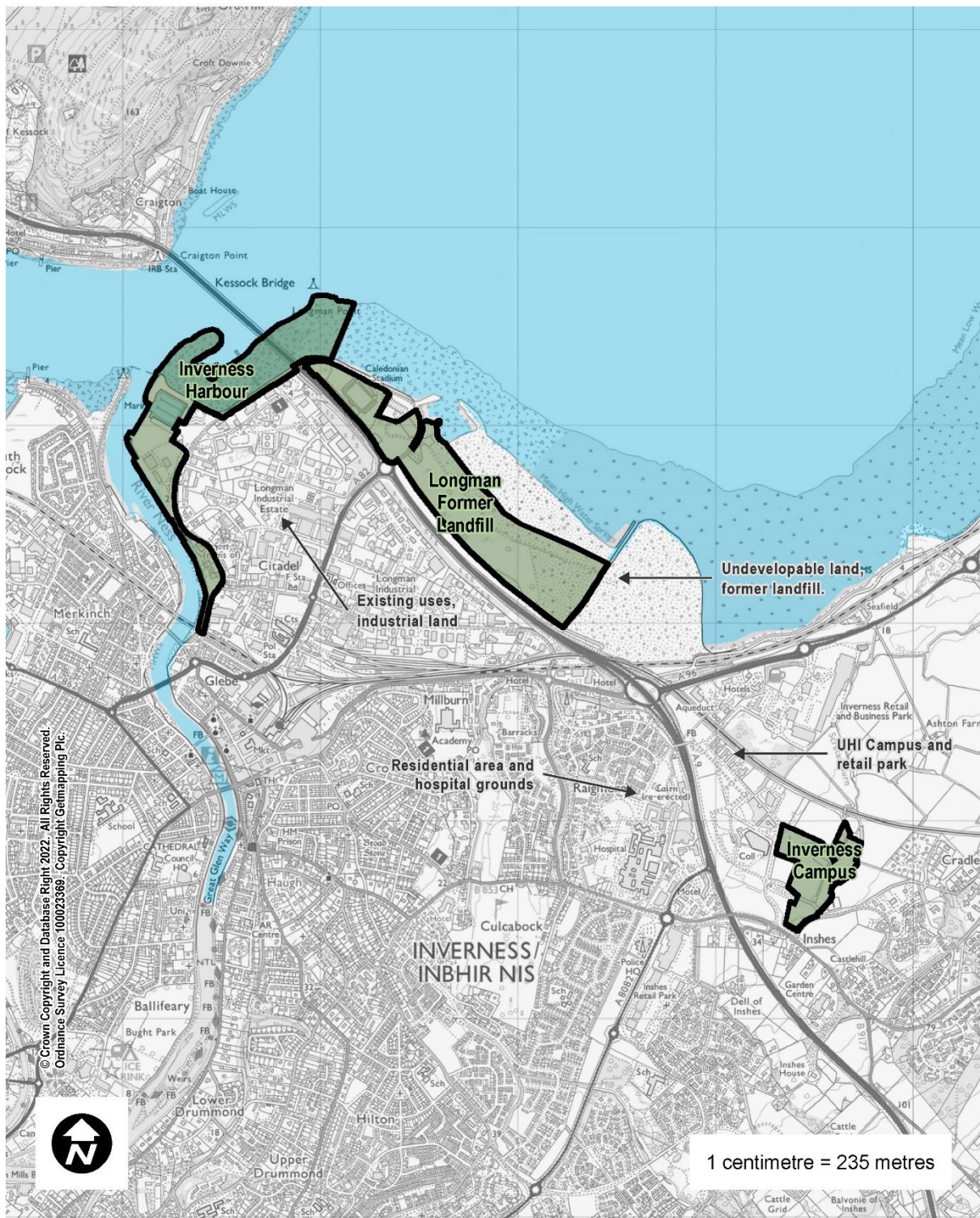


Inverness and Cromarty Firth Green Freeport Nigg and Pitcalzean Tax Site (306.4 ha)



Inverness and Cromarty Firth Green Freeport

Inverness Tax Site (97.11 ha)





Inverness and Cromarty Firth Green Freeport Outer Boundary

