

## ITEM No ...11...

**REPORT TO:** CITY DEVELOPMENT COMMITTEE – 13 MAY 2019

**REPORT ON:** SECTOR DEVELOPMENT PLAN – OFFSHORE WIND/DECOMMISSIONING

**REPORT BY:** EXECUTIVE DIRECTOR OF CITY DEVELOPMENT

**REPORT NO:** 177-2019

### **1 PURPOSE OF REPORT**

1.1 This report updates committee on the offshore wind and decommissioning sectors in Dundee and seeks committee approval for a plan that support their growth and development.

### **2 RECOMMENDATION**

2.1 It is recommended that the Committee:

- a Notes the findings of the report and Dundee's participation in the Forth and Tay Offshore Cluster
- b Notes the recent investments secured in relation to both sectors
- c Approves the plan, at appendix 1, for future development of the sectors.

### **3 FINANCIAL IMPLICATIONS**

3.1 The Development Plan will be delivered from the Business Development budget allocated for sector support activity aligned to partner resources

### **4 BACKGROUND**

#### **Context**

- 4.1 The Scottish Government Economic Strategy recognises Energy (including Renewables) as one of Scotland's key growth sector employing 70,000 in 2017. Since the 1970s the major opportunities for Scotland have centred on Oil and Gas extraction and the majority of employment has been concentrated in North East Scotland. Despite recent challenges. there were still 27,000 Energy sector jobs in Aberdeen and 10,000 in Aberdeenshire in 2017 compared to 500 in Dundee.
- 4.2 Dundee is well positioned to take advantage of emerging opportunities in respect to both Offshore Wind and Oil and Gas Decommissioning. Dundee City Council can support this activity by aligning economic development sector support activity with partner resources to support the development of both sectors.
- 4.3 The Scottish Energy Strategy (The Future of Energy in Scotland) sets out targets for Scotland to generate 50% of energy for heat, electricity and transport from renewables by 2030. It recognises that Scotland has outstanding natural resources in wind, wave and tidal power with Scotland accounting for 25% of Europe's offshore wind.
- 4.4 The UK Industrial Strategy and Clean Growth Strategy (both launched in 2017) outlined ambitions for cleaner economic growth including further investment in offshore wind. The Offshore Wind Sector Deal was announced in March 2019. This sets out a vision to achieve 30 Gigawatts of generating capacity in the UK by 2030. This will effectively double the UK's

offshore wind capacity over the next decade. The UK Government has committed to running regular Contracts for Difference auctions (every 2 years) with up to £557 million of support to enable new offshore wind fields to come on stream. The Deal envisages that jobs in the sector will increase from the current level of 11,000 in 2019 to 27,000 by 2030 and that most of these will be located in coastal areas. There is also a target to raise female employment in the sector to at least a third by 2030. The industry has committed to invest up to £250 million to build a strong UK supply chain.

- 4.5 The UK Oil and Gas sector has generated over £330 billion in direct production taxes and will continue to be an important sector with an estimated 10-20 billion barrels of oil remaining under the UK Continental Shelf. Nevertheless, the North Sea is an increasingly mature basin and decommissioning of installations will accelerate in the years ahead providing significant new business and employment opportunities. The Oil and Gas Authority has quantified the scale of opportunity highlighting that there are 250 subsea production systems, over 3,000 pipelines and approximately 5,000 wells, all of which will require to be decommissioned in future years.
- 4.6 Dundee's geographical location (in close proximity to major North Sea Oil and Gas Fields and Offshore Wind Farm locations), its unrestricted access to deep water port facilities, port side land assets and access to skilled labour provides a major platform to realise opportunities that will emerge in both sectors in the coming years. Indeed, the Scottish Government's National Renewables Infrastructure Plan recognised Dundee as one of the most strategically important port locations for offshore renewables. The geographical location of Scottish consented wind farms such as Neart na Gaoithe (NNG), Seagreen and Inchcape to the Port of Dundee provides an ideal location for Construction/Assembly of turbines and the longer term Operations and Maintenance (O&M) work.

#### **Actions to Date**

- 4.7 A range of actions have already been taken to ensure that Dundee is well positioned to attract new investment and jobs in these sectors:
- a The Dundee Renewables initiative was established in 2009 to promote the city's credentials as a location for offshore wind. This was rebranded in 2016 as Energy Dundee broadening the initiative to promote a wider range of energy opportunities including Oil & Gas, Decommissioning and Low Carbon.
  - b The replacement of Stannergate Bridge was undertaken as part of the wider aim to improve vehicle access to Dundee Port. The bridge was upgraded and additional improvements were undertaken to the adjacent roundabout and the Greendykes Road / Broughty Ferry junction. The project allowed for easier access to the trunk road network.
  - c Energy Training East was established in 2011 bringing together higher and further education providers, Skills Development Scotland and other agencies alongside industry representatives to address skills and training gaps and prepare the local labour force to meet future skill needs.
  - d Stands have been taken at major events such as All Energy and Scottish Renewables Offshore Wind Conference & Exhibition to promote the city and region's assets with the aim of stimulating interest from potential investors.
  - e The City has worked at a regional level to promote the scale of opportunity which exists in this part of Scotland. East Coast Renewables was an early stage collaborative initiative which raised the profile of the East Coast in relation to offshore wind and provided an early blueprint for the emerging Forth and Tay Offshore Cluster which is described in more detail below.

- f A public private partnership, Dundecom, was established in 2017, backed by Forth Ports, DC Thomson and Dundee City Council. This has been a key driving force for establishing Dundee as a significant decommissioning location.
- g The work of Dundecom reached a significant milestone in 2019, with the launch of Forth and Tay Decommissioning. This is an alliance pooling the expertise of a number of companies with Forth Ports to offer an integrated turnkey solution for major oil and gas installation decommissioning projects. The alliance includes Forth Ports, ABB, Augean North Sea Services, COES Caledonian, John Lawrie Group, Offshore Decommissioning Services and Well-Safe Solutions. Supporting partners include OM Heavy Lift, Robertson Metals Recycling, Texo, DC Thomson, Bureau Veritas and Dundee City Council.
- h Forth Ports have invested £10 million in the extension and strengthening of quayside facilities within the Port of Dundee to equip the port to handle the large scale loads demanded during decommissioning and renewables projects.
- i The City Council has worked alongside Scottish Enterprise, Scottish Development international and through Scottish Cities Alliance to raise the national and international profile of both sectors. Dundee City Council (under the Energy Dundee banner) are members of Decomm North Sea and Scottish Renewables. The city's strengths in these sectors have also been promoted through the Invest in Dundee and Energy Dundee web platforms whilst a regional Trade and Investment partnership has been established, to ensure a more joined up approach between regional and national partners, in respect to inward investment promotion activity, The Port of Dundee is also included within the online Scottish Energy Ports Capability Directory.
- j The Council offers a broad range of development land and property to meet the needs of companies and has developed the Dundee Energy and Innovation Parks at Claverhouse and Linlathen providing specialist land allocation suitable for both Offshore Wind and decommissioning companies who do not require immediate quayside access.

### **Investments Achieved**

- 4.8 The actions undertaken to date have been a catalyst for a number of notable investment announcements.
- a In July 2018, engineering and technology firm Texo announced the signing of a long term lease at Dundee Port establishing Dundee as their divisional headquarters and fabrication centre of excellence. The company outlined plans to expand their Dundee workforce from 10 to 100.
  - b In August 2018, OM Heavy Lift, a subsidiary of OilMac, announced the assembly of a 1,500 tonne crane in the Port of Dundee. The investment is a major asset which can be used for offloading both offshore wind and decommissioning components.
  - c In November 2018, Offshore Decommissioning Services, announced plans to open its UK engineering and logistics headquarters in Dundee. It is in the process of building a UK flagged multi-purpose heavy lift vehicle to be named Moonraker 1 which should be delivered by 2021. The Moonraker 1, which will be manned by a crew of 70, will also provide pipeline and bundle removal and offshore installations.
  - d In December 2018, the Chinese offshore marine engineering group COES launched its first UK subsidiary company in Dundee (COES Caledonian). The company has made a £500,000 investment and is located at Dundee One. It aims to initially employ 15 staff to take advantage of emerging opportunities in both the Offshore Wind and Decommissioning sector.

- e In January 2019, Augean North Sea Sea Services announced that they had won a major contract from Shell to decommission the Curlew Floating Production, Storage and Offloading Vessel (FPSO). The vessel will be berthed at Port of Dundee during the project and they are now actively recruiting in the city for staff across a broad range of trade services to support this and future contracts.
- f In February 2019, John Lawrie Group, in partnership with Forth Ports, announced they would jointly invest £5 million in the establishment of a new metal recycling and decommissioning base. The base, to be set up in early 2020, will initially employ 10 new full time jobs with the potential for more in the future.
- g In April 2019, Wellsafe Solutions announced a deal to purchase its first decommissioning asset, a semi-submersible drilling unit, which will be modified at the cost of £75 million for well plugging and abandonment work. The purchase will create a further 90 jobs over 12 months in offshore and onshore locations, including Dundee.

### **Development Plan**

- 4.9 Dundee City Council is committed to working with industry, other economic development agencies and regional partners to ensure that Dundee and the wider region benefits from the significant opportunities in both offshore wind and decommissioning that will emerge over the next few years. As such Dundee City Council has a dedicated Development Lead in place for these sectors who is seconded to work at the Port of Dundee one day per week and in Aberdeen one day per month.
- 4.10 Dundee City Council will work with local and regional partners to build upon the support already in place from Scottish Government. In terms of offshore wind, national level support includes Crown Estate Scotland, the body which manages the leasing of Scotland's seabed on behalf of Scottish Ministers, consulting on issuing new leasing rights for commercial-scale offshore wind projects with the next round to take place in October 2019. In terms of decommissioning, Scottish Government has funded two rounds of the Decommissioning Challenge Fund since 2017 including funding for the heavy lift crane located within Dundee Port.
- 4.11 The Development Plan for supporting the sectors over the next 5 years is set out in Appendix 1. Priorities include attracting inward investment, developing supply chain capability, investing in skills development, research & development and continuing to build effective public – private partnerships that support the growth of both sectors.
- 4.12 The actions contained within the development plan aim to grow additional direct and indirect jobs across both sectors over the next 5 years through the attraction of additional inward investment and through support for local supply chain companies to secure contract work.
- 4.13 The Tay Cities Deal Heads of Terms has made available £10 million for development of a regional Industrial Investment Programme, £8 million for Advanced Manufacturing and £2million to establish the Tay Cities Engineering Partnership. A £20 million regional skills programme is also being funded. These provide opportunities to support infrastructure development, advanced manufacturing, supply chain development and skills enhancement across both sectors.
- 4.14 The development plan highlights Dundee's commitment to being a key partner in the emerging Forth and Tay Offshore Cluster. The Offshore Wind Sector Deal recognises the role that the sector can play in the economic regeneration of coastal communities and proposes the development of regional clusters of offshore wind expertise. This will include areas like the Humber, Tyne-side, Forth & Tay and North of Scotland.
- 4.15 The aims and objectives of the Forth and Tay Offshore cluster are to:

- a Attract and retain inward investment in offshore wind related manufacturing and servicing to the cluster – including: pre-assembly, foundation manufacture, foundation and turbine marshalling, balance of plant storage and marshalling, subsea manufacture, O&M, supply chain and offshore logistics.
  - b Develop and promote the regional supply chain across the offshore wind supply lifecycle and facilitate collaborative alliances.
  - c Work with regional further and higher education institutions to meet the labour needs and efficiency improvement needs of the offshore renewables sector.
  - d Share and develop knowledge and understanding of the offshore wind sector to position and maximise supply chain and employment opportunities in the Forth and Tay cluster.
  - e Support Forth & Tay entities to maximise and compete for UK-wide and international opportunities.
  - f Seek investment for value-added infrastructure which improves the Forth & Tay regional offshore renewables proposition as one of the UK's pre-eminent renewable hubs
- 4.16 A number of public and private sector partners have been involved in scoping out development of the cluster including Dundee City Council, Fife Council, East Lothian Council, Borders Council, Scottish Enterprise, SSE, EDF and Redrock Power.
- 4.17 Forth and Tay Offshore has secured a stand at the All Energy exhibition in Glasgow which takes place between 15<sup>th</sup> and 16<sup>th</sup> May 2019. This provides an opportunity to promote the region to developers and potential investors and to engage with supply chain companies.

## **5 POLICY IMPLICATIONS**

- 5.1 This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

## **6 CONSULTATIONS**

- 6.1 The Council Management Team were consulted in the preparation of this report.

## **7 BACKGROUND PAPERS**

- 7.1 None.

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## Appendix 1: Development Plan 2019-2024

Theme	Action	Timescale	Partner/s
Inward Investment	Work with key partners such as Scottish Development International, Scottish Enterprise, Forth & Tay Offshore and Forth & Tay Decommissioning to attract enquiries to Dundee	2019-2024	SDI, SE, DCC
	Attend, exhibit and identify speaker slot opportunities at key exhibitions and conferences	2019-2024	DCC
	Create a desire within the Offshore Wind supply and decommissioning chain to establish business in Dundee through effective engagement with primary, secondary and tertiary supply chain companies		Forth & Tay Decommissioning, Forth and Tay Offshore
	Promote Dundee land, investment parks, Port and broader infrastructure to support the sectors and attract investment through effective use of websites and social media platforms	2019-2024	Dundecom, Forth & Tay Offshore, Forth Ports, DCC, SE
	Promote Michelin site as a potential hub for non-quayside supply chain companies	2019-2024	Michelin Action Group
Skills Development	Through the existing Energy Training East Partnership (ETE), establish the opportunities, identify gaps and create a skills action plan for Forth & Tay Decommissioning and Forth & Tay Offshore	2019-2024	Energy Training East Partnership
	Establish a Forth & Tay Decommissioning and Forth & Tay Offshore stand at the 2019 Dundee Jobs Fair and subsequent annual events as appropriate	2019-2024	Key Companies, Forth & Tay Decommissioning, Forth & Tay Cluster
	Support and promote a partnership approach to participation in skills jobs fairs and events	2019-2024	DCC
Supply Chain Capability	Identify baseline data for the sectors and map capability	2019	DCC
	Build effective supply chain in Dundee through engagement with indigenous companies and attract inward investors	2019-2024	Forth & Tay Decommissioning, Forth and Tay Offshore, DCC
	Host and support Meet the Buyer and other supplier development events in Dundee and region for the sectors	2019-2024	Forth & Tay Decommissioning, Forth & Tay Cluster
	Account / Relationship manage key businesses within the Port and throughout the city for both sectors	2019-2024	SE, DCC
	Identify key events to promote our supply chain capability	2019-2024	DCC
Building Public, Private Partnerships	Provide strategic direction to the development of the decommissioning sector in the city through participation in the Dundecom partnership	2019-2024	DCC, Forth Ports, DC Thomson
	Fully establish the Forth & Tay Offshore Cluster, work with partners to the deliver the aims and objectives agreed by the Steering	2019-2024	Forth and Tay Offshore

	Group and deliver the cluster delivery plan		
	Forth & Tay Decommissioning to support the alliance to meet its objectives of securing decommissioning projects in the city and maximise employment opportunities for the local labour force	2019-2024	Forth and Tay Decommissioning
	Build effective partnership working between Dundee City Council and Forth Ports through the location of DCC Business Development Sector lead at Port of Dundee offices one day per week and one day per month at Forth Ports offices in Aberdeen	2019-2024	Forth Ports, DCC
Research and Development	Examine the feasibility of a Virtual Ultra Deep Water Port, which could significantly enhance the current decommissioning offering in the city.	2019-2020	Forth and Tay Decommissioning
	Determine a business case for an Innovation Hub in Dundee, supporting a UK wide strategy for the re-use, re-purposing and recycling of decommissioned equipment, in the broader context of the Circular Economy	2019-2020	Dundecom
	Draw on the relevant expertise of the University and Abertay University to collaborate in research aimed at identifying best practice and techniques in the sector	2019-2024	University of Dundee; University of Abertay
	Utilise the growth of decommissioning in the city to access funding opportunities for innovative research projects involving city universities	2019-2024	University of Dundee; University of Abertay