



REPORT TO: ECONOMIC GROWTH, HOUSING AND ENVIRONMENTAL SUSTAINABILITY COMMITTEE ON 1 DECEMBER 2020

SUBJECT: OFFSHORE WIND CLUSTER FUNDING REQUEST

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 The Committee is asked to consider a funding request by HIE for the North of Scotland Offshore Wind Cluster.
- 1.2 This report is submitted to the Economic Growth, Housing and Environmental Sustainability Committee following a decision of Moray Council on 17 June 2020 to agree a simplified Committee structure as a result of the COVID-19 pandemic. In the case of this Committee, the combining of the delegated responsibilities of Economic Development and Infrastructure, Community Services (Housing and Property) and Finance (budget, capital and revenue monitoring) (paragraph 9 of the Minute refers).

2. RECOMMENDATION

- 2.1 It is recommended that the Committee:
- (i) **agrees the funding request of £3750 a year for two years towards the operating costs of the North of Scotland Offshore Wind Cluster (DeepWind); or**
 - (ii) **agrees in the absence of any budget allocation, for Council to become a non-paying member of the cluster and promote the cluster to Moray companies via Business Gateway and the My Moray website.**

3. BACKGROUND

- 3.1 The DeepWind cluster started in April 2019 with a part-time manager funded by HIE. DeepWind now has over 400 member organisations including six Moray based companies: AJ Engineering; Forsyth's Ltd; Moray First Marine; Copernicus Technology; Makar Technologies and North East Certification.

- 3.2 This HIE led cluster of organisations in the North of Scotland aims to encourage companies to benefit from investment in offshore wind farms across the North of Scotland. Over £7 billion will be spent in the Moray Firth once the three major windfarms are complete by 2026. There is a likely total of over £25 billion of investment in offshore wind throughout Scotland in the next 10 years. There is a Scotland wide aim of creating 6000 new jobs in the offshore wind sector by 2030. This is additional to jobs safeguarded when companies diversify into the offshore wind industry
- 3.3 Impacts of the DeepWind cluster to date include:
- Early stage collaborations formed, linking members to form supply chain projects
 - Networking opportunities, market insights and raising the profile of the region's capabilities
 - Collaborative bids for UK innovation funds have been instigated and supported by the cluster
 - Inward investment enquiries
 - Engagement with international offshore wind clusters, notably in Germany, France and Norway
 - Provided a platform for engagement with international offshore wind clusters, notably in Germany, France and Norway
- 3.4 DeepWind have signposted Moray companies to potential business opportunities although to date HIE has no evidence of any Moray companies gaining any extra businesses as a result so far.
- 3.5 Currently, HIE is the responsible body for the cluster and is the employer of the cluster manager. There is a steering group of private and public sector organisations (including Highland, Moray, Aberdeen and Aberdeenshire Councils). This is also the proposed future structure although DeepWind is working towards making the steering group operate more like a board of directors with decision making powers.
- 3.6 Both the steering group and HIE feel that the impacts of Deep Wind to date and the potential for future impacts merit the continuation of the cluster with funding to be sought from partners. Highland and Aberdeenshire Council have agreed to contribute funding and be on the DeepWind steering group. Aberdeen Council are currently considering a proposal that they do not pay a contribution and are replaced by Aberdeen Renewable Energy Group (AREG) which is a membership organisation promoting renewables in Aberdeen. There is no Moray equivalent to AREG.
- 3.7 DeepWind propose the following activities over the next year:
- Represent, support and promote the capabilities of the cluster at relevant forums e.g. the Scottish Offshore Wind Energy Council.
 - Stimulate, initiate then signpost early stage collaborations to the most appropriate support to develop their product/service offering.
 - Provide a platform for engagement with international offshore wind clusters.

- Help to match member company capabilities with industry requirements and demand.
- To stimulate, initiate and support project teams develop project funding bids and support the development of collaborative efforts to develop new projects and ideas.
- Establish six sub-groups: including operations & maintenance; ports and harbours; cables; surveys and inspection.
- Deliver four events and seminars (including one on procurement).
- Submit two innovation bids for funding.

3.8 The proposal is to increase the current cluster manager's role from part-time to full-time with annual project costs as follows:

Manager salary costs	£100,000
Expenses (seminar costs etc)	£40,000
Total	£140,000

3.9 The proposed annual funding package is as follows:

HIE	£50,000
Scottish Enterprise	£10,000
Developers (5 x £10,000)	£50,000
Supply Chain Companies (3 x £3,000)	£9,000
Local Authorities (4 x £3750)	£15,000
ONE	£6,000
Total	£140,000

3.10 HIE are looking for two year funding to develop the DeepWind consortium after which time it would aim to be fully funded by member organisations (private companies).

3.11 Should Moray Council decide not to contribute the funding requested, then HIE's plan is to ask another member organisation for the money. Moray Council could then still be a member of the cluster but would not be on the steering group. Companies from Moray could continue to be members of DeepWind and would be able to take advantage of any business opportunities that arise.

3.12 HIE have offered to organise a webinar with Moray Council and Business Gateway to promote DeepWind to companies in Moray and to explain the potential benefits that companies could have from being involved. This

webinar could take place whether or not Moray Council provide funding towards the project.

- 3.13 Moray West are still in discussions with Buckie Harbour over potential use for that development and at this point in time there could be benefit in continuing the Council role on the steering group through payment of the fee with the Head of Environmental and Commercial Services (or substitute) taking the role on the board.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The proposals will contribute to achieving the corporate plan priority to promote economic development and growth and the LOIP priority of a growing and sustainable economy.

(b) Policy and Legal

The Council has statutory duties to meet in terms of climate change and biodiversity and the work supports the Council to meet these requirements.

(c) Financial implications

Moray Council does not have a budget set aside for the £3750 funding request. Paying the £3750 would mean that Moray Council stays on the steering committee of the DeepWind consortium. If Moray Council choose not to contribute funding then the Council would come off the steering group (although Moray companies could still be members and benefit from the work of the DeepWind consortium).

(d) Risk Implications

There is no risk to Moray Council. There might be a risk that the DeepWind cluster would fold without Moray Council funding. However the risk of this is low with Moray Council only having been asked to contribute less than 3% of the project costs. HIE could accommodate this either by making savings or by asking another member organisation to contribute to the funding. There could be a risk of lost opportunity associated with Moray West as it develops its proposals in relation to Buckie Harbour.

(e) Staffing Implications

There are no direct staffing implications arising to Moray Council from this report.

(f) Property

There are no Property implications arising from this report.

(g) Equalities/Socio Economic Impact

There are no equalities impacts arising from this report.

(h) Consultations

The Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, the Legal Services Manager, Paul Connor (Principal Accountant), Lissa Rowan (Committee Services Officer), the Equalities Officer and the Payments Manager have been consulted and comments received have been incorporated into the report.

5. CONCLUSIONS

5.1 Whilst there are potential benefits (e.g. increased business) arising from the DeepWind cluster, the benefits will still be available to Moray companies without a funding investment from Moray Council. Moray West are still in discussion with the Council over Buckie Harbour and participation in the cluster allows for good working relationships.

Author of Report: Alan MacBeth, Development Officer, Economic Growth and Regeneration team.

Background Papers: HIE funding request and DeepWind business plan both available on request.

Ref: