

## **Item: 16**

**Policy and Resources Committee: 1 March 2022.**

**Green Freeport Status.**

**Joint Report by Chief Executive and Corporate Director for Enterprise and Sustainable Regeneration.**

### **1. Purpose of Report**

To consider submission of an application for Orkney to become a Green Freeport.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That the Scottish and UK Governments have now come to an agreement to allow the Scottish Government to start the process of awarding two Green Freeports in Scotland over the coming months.

#### **2.2.**

That the process will consist of a formal application, after the release of a full prospectus which is expected in March 2022, that defines the guiding rules for regions that wish to make a bid, based on a draft prospectus which was released in March 2021.

#### **2.3.**

That the formal process is expected to commence and be completed during the summer of 2022, with awards later in the year and Green Freeport designation awarded in 2023.

#### **2.4.**

That any application made by Orkney will be focussed more on innovation and research and development opportunities and will link in different types of sites across Orkney.

#### **2.5.**

That an application is unlikely to be submitted that is based on the Freeport model in other nations, which is primarily focussed on large trade flows of goods to and from tax free sites.

## **2.6.**

That there may be an approach from other regions to open a discussion to include Orkney in a consortium bid although any consideration would need to be within the prospectus guidelines, with the limitation of the outer boundary defined as within a 45 kilometre distance in any direction.

## **2.7.**

That it is expected that a regional distribution for deciding the successful applications will be considered to ensure that there is not an imbalance in the positioning of Green Freeports in one region.

## **2.8.**

The options available to the Council noting that, until the prospectus is published, there remain unknown factors:

- To progress an application from Orkney to become a Green Freeport.
- To decline to submit an application in the bid process for Orkney to become a Green Freeport.

**It is recommended:**

## **2.9.**

That the Corporate Director for Enterprise and Sustainable Regeneration should commission the preparation of a draft application for the establishment of a Green Freeport in Orkney.

## **2.10.**

That, should Government deadlines for the submission of bids allow, the draft application for the establishment of a Green Freeport in Orkney be reported to the Policy and Resources Committee for consideration prior to submission.

## **2.11.**

That, should Government deadlines necessitate that a submission requires to be made in the pre-election period or immediately after the Local Government election scheduled for 5 May 2022, powers be delegated to the Chief Executive to submit the application for establishment of a Green Freeport in Orkney.

## **3. Background**

### **3.1.**

The UK Government announced as part of the 2021 budget that eight Freeports would be created in England. In response, the Scottish Government announced that they would begin a process to award more than one Greenport in Scotland. These would be based on the Freeport model but with emphasis on innovation, renewable energy, job creation and higher wages. This was not acceptable to the UK

Government and the process in Scotland stalled whilst negotiations went on between the governments.

### **3.2.**

On 14 February 2022, the Scottish Government announced an agreement with the UK Government to deliver two Green Freeports in Scotland, working on an equal partnership basis. A package of reserved and devolved support will be available in the selected Green Freeports with the aims of building globally competitive industrial clusters, deliver a transition to net-zero and create new high-quality employment opportunities including payment of the real living wage.

### **3.3.**

Orkney registered an expression of interest in 2021 along with eight other locations on the publication of the draft prospectus. These locations were:

- Shetland.
- Orkney.
- Cromarty Firth.
- Aberdeen and Peterhead.
- Montrose.
- Dundee.
- Firth of Forth.
- Glasgow City Region.
- Cairnryan.

#### **3.3.1.**

Some of the locations above have already advised publicly that they will be making a bid to become a Green Freeport.

### **3.4.**

It is expected that Green Freeport stakeholders will form localised coalitions, including ports, airports, businesses, academic institutions, local authorities and Regional Economic Partnerships to develop ambitious, deliverable green port proposals; setting out why a Green Freeport is right for the region, and how applicants will utilise the measures, and deliver and run a successful Green Freeport.

### **3.5.**

Both UK and Scottish Governments recognise that different regions will have different existing strengths, institutions and local economic strategies. There is a wish to select successful locations that account for and take full advantage of the diverse potential and comparative advantage of different regions of Scotland.

### **3.6.**

The draft prospectus does highlight the main objectives as:

- Promote regeneration and job creation through inclusive and sustainable growth.
- Establish hubs for global trade and investment.
- Contribute to a just transition to a net zero economy.
- Drive fair work practice.
- Foster an innovative environment.

## **4. Proposed Submission for Orkney to become a Green Freeport**

### **4.1.**

Any application made by Orkney will be with a focus on innovation and research and development and move away from the traditional idea of a Freeport which is primarily based on low duties on goods transferring across borders usually from the manufacturing sectors and containerised goods. Consideration in Orkney, for options relating to export trade of locally manufactured hydrogen and commercialisation of green technologies may also be required.

### **4.2.**

An application could include non-marine sites, such as airfields, that will be able to enhance the application. It is expected that the prospectus will offer the opportunity to create different zones of reference in the Green Freeport within a defined outer boundary. These could include specific underdeveloped sites and additional tax and customs sub zones to reflect different sectors.

### **4.3.**

There is a lot of interest from potential users of port facilities, in particular the offshore wind sector, to harness the opportunities of a Green Freeport with regard to research and development, a fair regime of regulation for innovation and contribution to the net zero economy.

### **4.4.**

There may be an approach from other regions to open a discussion to include Orkney in a consortium bid, although any consideration would need to be within the prospectus guidelines with the limitation of the outer boundary defined within the draft prospectus as a 45-kilometre distance in any direction.

### **4.5.**

It is expected that a regional distribution for deciding the successful applications will be considered to ensure that there is not an imbalance in the positioning of Green Freeports in one region.

## **4.6.**

The following options are available to the Council, noting that, until the prospectus is published, there remain unknown factors:

- To progress an application from Orkney to become a Green Freeport.
- To decline to submit an application in the bid process for Orkney to become a Green Freeport.

## **4.7.**

It is proposed that a draft submission for an application to become a Green Freeport be prepared for subsequent consideration by Council for formal approval. If timescales dictate that an early submission is required, the report seeks delegation to the Chief Executive to make the application.

# **5. Links to Council Plan**

## **5.1.**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority theme of Enterprising Communities.

## **5.2.**

The proposals in this report relate directly to Priority 4.2, Strategic investment in projects to generate income and/or deliver significant community benefits, of the Council Delivery Plan.

# **6. Links to Local Outcomes Improvement Plan**

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Sustainable Recovery.

# **7. Financial Implications**

It is to be noted that a professional bid will require appointment of an experienced consultancy to manage a bid and that based on recent Levelling Up Fund applications an indicative budget of £50,000 would not be unreasonable.

# **8. Legal Aspects**

## **8.1.**

The legal implications of applying for, or being part of a consortium applying for, green freeport status for Orkney will require to be given careful consideration as any application is progressed.

## **8.2.**

Any consultants appointed by the Council to manage or contribute to an application for green freeport status would require to be appointed in accordance with the Council's Contract Standing Orders and Financial Regulations.

## **9. Contact Officers**

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