



Socio-economic Benefit Statement

Port of Nigg Eastern Inner Dock Quay

Final Report for EnviroCentre

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Executive Summary

This Socio-economic Economic Benefit Statement has been prepared by MKA Economics, on behalf of EnviroCentre and Global Energy Nigg Ltd (GEN) to accompany the Environmental Impact Assessment Report (EIAR) of a new Eastern Inner Dock Quay (the Proposed Development) at the Port of Nigg (PON).

The Proposed Development is to primarily facilitate the export of HV cable manufactured at the adjacent proposed factory directly onto cable installation vessels. It will also serve as an additional facility to support the existing operations at the site comprising the import, assembly and export of components necessary for energy production in the marine environment.

There is strong policy support for the Proposed Development at the national, regional and sectoral levels. It is within this hierarchy of policy and strategy support, from the new National Planning Framework 4 (NPF4) and National Strategy for Economic Transformation (NSET) to the Highland and Islands Enterprise (HIE) Strategy and in particular the Inverness and Cromarty Firth Green Freeport vision which provides the strategic rationale for supporting the establishment of the Proposed Development. The policy support, and strategic fit, of the Proposed Development is strong across all spatial levels and in particular the drive towards achieving a just transition to net zero.

At the national and local level, the renewables sector is a key sector, and growing the value and reputation of the sector can be aided by encouraging investment, and inward investment, in businesses associated with the sector – including all supply chain businesses such as high voltage subsea cable manufacturing and logistics.

The socio-economic baseline audit confirms a number of worrying trends, and these threaten the long term economic sustainability of the Highlands and, Tain and Easter Ross.

The Highlands and Easter Ross continue to face a wide range of economic challenges. Both have witnessed a slower rate of population growth in recent times, and are expected to witness a decline in population, which is set against growth recorded at the national level. Although Inverness is expected to see an increase of around 11% and Mid-Ross an increase of 12% in the period to 2041, the population of Easter Ross is expected to decline by 14% over the same time period.

This threatens the future economic sustainability of the local area and suggests investment is required to attract working age people to the area, there is scope for new sectors such as renewables to slow the population decline.

The area was adversely affected by the onset of the Covid-19 pandemic, and there are emerging signs at the regional and local levels that unemployment is increasing again, which may be a result of the cost of living crisis. Although it is recognised that there is a clear willingness for people to find work, the local economy is not generating these opportunities. The Proposed Development, in conjunction with the wider expansion of the local renewables industry, is well positioned to generate new employment opportunities and stimulate local economic growth.

Similarly, relative deprivation is noticeably higher locally compared to other spatial areas, with a neighbouring data zone amongst one of the most deprived areas in the Highlands and one in the most deprived 10% in Scotland. Easter Ross deprivation position has worsened over the period from 2012, and this position is concerning in relation to promoting economic and community development in this location. There are also pockets of high deprivation in nearby Kildary, Milton, Invergordon and Alness.

New investment in key economic sectors, such as renewables, can help to boost the local economy which continues to be adversely affected from historical industrial decline, and resultant deprivation.

The Proposed Development is expected to benefit the local and national economy in the following respects:

- GEN has already invested almost a significant amount of time and resource on the Proposed Development, committing [Redacted] to the pre-development stage, of which [Redacted] has benefitted Highland based companies.
- Total expected quay investment of [Redacted] of which it is estimated [Redacted] will accrue at the local level. With opportunities for local businesses to support in terms of groundwork, landscaping, civil engineering, and construction contracts, resulting in wider supply chain benefits in the region of [Redacted]. A total local construction effect of [Redacted]. This is in addition to the wider [Redacted] investment in the subsea cabling manufacturing plant;
- In the region of 35 full time construction jobs at the local level over the 20 month construction phase, when taking multiplier effects into account this equates to 50 construction jobs over two years, with a GVA effect of [Redacted]. This too is in addition to the 225 new jobs at the subsea manufacturing plant;
- 14 new logistic and maintenance jobs directly employed by Global Port Services Scotland Ltd once the new quay is fully operational. This will sustain a further four jobs in the wider area, and have a total GVA effect of [Redacted]. It is worth noting that the entire development, of which the PON is a catalyst, will have a GVA effect of [Redacted]. The operations at PON will be enhanced and turnover and GVA effects will be bolstered by 25% on current levels;
- GVA benefit for the Inner Moray Firth economy of [Redacted] in GVA terms per annum as a direct result of the new quay;
- A wide range of harder to measure benefits in the form of supporting policy objectives, local supply chain benefits, pre-development effects, income effect, exchequer effects, perception benefits, community benefits, supporting community and property assets and training and employability benefits;
- The future of PON will be safeguarded, port activities will be enhanced and the future long term prosperity of the local area and the wider Cromarty Firth will be aided greatly by these new investment, jobs and economic activity.

Overall, it is clear from this independent socio-economic benefit assessment that the Proposed Development can play a significant economic role in supporting the economic ambitions of the local, regional and national economies. Importantly it services the requirements of the export of HV cable manufactured at the adjacent proposed factory. However, it also serves as an additional facility to support the existing operations at the PON comprising the import, assembly and export of components necessary for energy production in the marine environment.

1 Introduction

This Socio-economic Economic Benefit Statement has been prepared by MKA Economics, on behalf of EnviroCentre and Global Energy Nigg Ltd (GEN) to accompany the Environmental Impact Assessment Report (EIAR) of the development of a new Eastern Inner Dock Quay (the Proposed Development) at the Port of Nigg (PON). The objectives of the Socio-economic Benefit Statement are to:

- provide a brief overview of the Proposed Development;
- outline the strategic fit and alignment with Draft Energy Strategy, National Planning Framework 4, the National Strategy for Economic Transformation, Highlands and Islands Enterprise (HIE) priorities and the economic development framework for The Highland Council (THC), including the Inverness and Highland City Deal and the Inverness and Cromarty Firth Green Freeport;
- provide an understanding of the local economy and its direction of travel;
- estimate the socio-economic effects that can be attributed to the Proposed Development at the local level; and
- present the wider, less tangible, effects of the Proposed Development now and into the future.

The assessment has been completed in line with the requirements of THC Scoping Response.

The assessment is in line with the following guidance documents:

- Scottish Enterprise's Economic Impact Assessment for Appraisal, Monitoring and Evaluation – A Guidance Overview¹; and
- The Scottish Government's Draft Advice on Net Economic Benefit and Planning²

No consultations were undertaken as part of the socio-economic assessment, other than internal discussions with EnviroCentre and GEN. The views of The Highland Council in relation to the socio-economics were raised in the Scoping Response, these are addressed in this report, and the MKA Economics³ team has good knowledge of the socio-economic conditions of the local area, ports and harbours and the renewables sector.

The Socio-economic Benefit Statement is structured as follows:

- the background and context to the Proposed Development
- strategic policy context
- socio-economic baseline position
- estimated socio-economic effects
- wider benefits
- summary

¹ <https://www.evaluationsonline.org.uk/evaluations/help/guidance.htm>

² <https://www.gov.scot/publications/draft-advice-on-net-economic-benefit-and-planning/>

³ <http://www.mka-economics.co.uk/>

2 Background

2.1 Global Energy Nigg

GEN, part of the Global Energy Group (GEG), is a unique player in the energy sector, delivering excellence across construction, maintenance and enhancement activities. GEG is fully invested in the UK's journey towards clean, sustainable energy and supporting the renewable energy sector. Within the Energy Park complex, GEN operates the PON which is strategically located in the sheltered deep waters of the Cromarty Firth, with direct access to the North Sea.

2.2 Port of Nigg

PON is one of Scotland's most important energy industry facilities, having played a pivotal role in supporting six major offshore wind projects. Revenue is derived from the following sources:

- Building property rental
- Storage land rental
- Vessel charges
- Quayside charges

A substantial portion of PON's revenue is derived from the renewables sector, however the port continues to service the requirements of the oil and gas sector.

The port site itself is part owned by GEN, and part leased from Dunskaith Property Company and the Wakelyn Trust. The area of land earmarked for the new quayside development is owned by the Wakelyn Trust but is under a long-term lease to GEN until 2071.

2.3 The Proposed Development

The proposals to upgrade the east side of the Inner Dock is to primarily facilitate the export of HV cable manufactured at the adjacent proposed factory directly onto cable installation vessels. It will also serve as an additional facility to support the existing operations at the site comprising the import, assembly and export of components necessary for energy production in the marine environment.

By creating a new berth on the east side of the Inner Dock, it greatly complements the new east quay, and provides both a load in and load out quay for offshore renewables projects conducted on the East side of the site. The 50m return along the north side of the dock, also allows for roll-on, roll-off operations to be conducted at the east side of the site, replicating the capability already available on the west side of the port.

The Nigg oil terminal site was initially proposed as a potential location for the new HV cable factory, but the client considered that this location was too far away from the existing quays. There is a risk of damaging the cables when transporting them long distances, and therefore the site to the east of the dock was considered optimal for the HV cable factory, providing a new quay could be constructed on the east side of the Inner Dock to permit direct loading.

The close proximity of the proposed quay to the factory allows for the cables to be directly transferred from the storage reels located outside the factory, directly onto the cable carousels located on the deck of the cable installation vessels. Loading the cable via any other quay at Nigg would involve longer and more complicated transportation solutions, and added risk of damaging the cable, thus the other alternative locations were quickly discounted in favour of the proposed solution.

In addition to the cable spooling operations, the new quayside expansion aims to enhance Nigg's capabilities by introducing a new Roll-on/Roll-off (Ro-Ro) berth on the Eastern side of the facility. This additional berth is strategically designed to facilitate the efficient load-in/load-out of offshore wind components. Its significance becomes more pronounced as the size and weight of components, such as wind turbines, continue to grow.

The addition of the new quayside will bolster the current marshalling operations for fixed wind at the East Quay. The development of a second quayside with Ro-Ro will enhance the existing South Quay's capacity to support the assembly of floating wind foundations in the future.

Furthermore, the development is designated as the load-out quay for a new HV/DC Cable Manufacturing Facility situated adjacent to the Port of Nigg site. Finally, the quay also provides additional capacity within the port to accommodate ad-hoc vessel calls for various energy industry customers.

The total capital expenditure related to the Proposed Development is £30 million. The new quay facilities will be focused on the subsea cabling activities, however it will enhance the overall operation at PON, and will enhance current turnover by 25% and increase staffing by 65% - helping safeguard PON further and helping to secure the future economic prosperity of the local area, Easter Ross and the wider Cromarty Firth.

3 Strategic Context

3.1 Introduction

This section sets out the national, regional and sectoral policies that are relevant to the Proposed Development. It sets out the policy context and the strategic fit of the Proposed Development in economic development terms.

3.2 Draft Energy and Just Transition Plan

The Scottish Government launched its Draft Energy Strategy and Just Transition Plan⁴ in March 2023. The Draft Energy Strategy and Just Transition Plan sets a vision for Scotland's energy system to achieve Net Zero by 2045. The draft represents a shift away from oil and gas with a number of new or revised targets, several of which relate to the Proposed Development, including:

- more than 20 GW of additional renewable electricity on and offshore by 2030;
- increased contributions from solar, hydro and marine energy;
- a commitment to surplus electricity supply, enabling export to Europe;
- enhanced energy security through development of additional energy storage;
- the aim to achieve a just transition by maintaining or increasing employment in Scotland's energy production sector against a decline in North Sea production;
- maximising the use of Scottish manufactured components in the energy transition, ensuring high-value technology and innovation.

The Draft Energy Strategy and Just Transition Plan recognises the importance of national and international partnerships, *'fully realising these opportunities will require co-operation and action at a UK-level to facilitate smooth international trade, particularly in light of Brexit'*. It also notes the need for connectivity with Northern Europe, stating that the North Sea has the *'potential to be 'the battery for Europe''*. The Draft *'proposes a vision for a just energy transition that benefits communities and workers across Scotland, provides high-quality jobs and economic benefit, delivers affordability, and protects our environment and our energy security'*.

The Draft Energy and Just Transition Plan is a guide to Scottish Government investment in areas not reserved to the UK Government, particularly around the skills base in renewables, with £5 billion committed in this parliamentary term. The Draft Strategy sets out important areas of cooperation with the UK:

- electricity market reform;
- support for carbon capture and storage;
- reforms to consenting of offshore wind and regulation of the offshore marine environment;
- the development of new market mechanisms to support clean energy technology deployment.

Importantly, the Draft Energy and Just Transition Plan is aligned with the new spatial strategy for Scotland, as set out in the new National Planning Framework 4 (NPF4), and states *'In alignment with NPF4, we encourage, promote and facilitate all forms of renewable energy development onshore and offshore. This includes energy generation, storage, new and replacement transmission and distribution infrastructure and emerging low-carbon and zero emissions technologies, including hydrogen and carbon capture utilisation and storage (CCUS).'*

The Proposed Development is close to the marine areas in which it will be needed over the coming decades. This will help to ensure the rapid pace of offshore wind deployment, in turn supporting wider decarbonisation and net zero objectives.

⁴ <https://www.gov.scot/publications/draft-energy-strategy-transition-plan/documents/>
Socio-economic Benefit Statement of Port of Nigg Eastern Inner Dock Quay

3.3 National Planning Framework 4

The Scottish Government recently adopted new national planning guidance in the form of National Planning Framework 4 (NPF4)⁵. NPF4 sets out the importance of supporting the development of sustainable, liveable, and productive places and focusing on supporting developments which generate local economic opportunities, including jobs.

NPF4 is clear in its desire to rebalance the North of Scotland economy, including the Islands, to enable it to make a strong contribution towards meeting the country's ambition for a net zero and nature positive country by demonstrating how natural assets can be managed and used to secure a more sustainable future.

Importantly for North, NPF4 seeks to maintain and help to grow the population by taking a positive approach to rural development that strengthens networks of communities. Crucially it sets out the importance of supporting local economic development by '*making sustainable use of the area's world class environmental assets to innovate and lead greener growth*'.

NPF4 is founded on sustainable economic growth principles and is linked to the new National Strategy for Economic Transformation which confirms that the planning system should proactively support development that contributes to sustainable economic growth and to create sustainable places.

The Proposed Development directly supports the national planning policy vision through new investment and employment in port services directly connected to renewable energy generation which supports the vision of transitioning Scotland's economy towards net zero.

3.4 National Strategy for Economic Transformation

The Scottish Government replaced the Scotland's Economic Strategy with Scotland's National Strategy for Economic Transformation (NSET) in March 2022⁶.

The strategy sets out the Scottish Government's vision which is to create '*a wellbeing economy: a society that is thriving across economic, social and environmental dimensions, and that delivers prosperity for all Scotland's people and places*'. The Scottish Government aims to achieve this while respecting environmental limits, embodied by climate and nature targets.

It sets the ambition of the next ten years as a time of huge change and '*...extraordinary opportunity...*' and promotes Scotland as a nation with competitive advantages in the new industries generated by technological change, scientific advance and our response to the climate and nature crises.

The strategy deliberately focuses on five policy programmes with the greatest potential benefit, including to; '*...strengthen Scotland's position in new markets and industries, generating new, well-paid jobs from a just transition to net zero*'.

The transition to net zero is seen not just an environmental imperative but an economic opportunity - one where Scotland will become world leading. The identified opportunities for this competitive advantage include the construction and development of on- and off-shore energy generating technologies.

⁵ <https://www.gov.scot/publications/national-planning-framework-4/>

⁶ <https://www.gov.scot/publications/scotlands-national-strategy-economic-transformation/>

The strategy has a strong emphasis on the growing regional and local economies and seeks to identify new market opportunities and to become an international benchmark for how an economy can transform itself, de-carbonise and rebuild natural capital whilst creating more well-paid and secure jobs and developing new markets based on renewable sources of energy and low carbon technology.

The Proposed Development will facilitate new economic activity in the Inner Moray Firth, therefore meeting the strategic objectives of supporting places with lower productivity and relatively high deprivation, while increasing employment in port services and the wider renewable sector.

3.5 Draft Advice on Net Economic Benefit and Planning

Scottish Ministers remain committed to developing further advice to assist in assessing and giving due weight to the net economic benefit of Proposed Development. This is set out in their Draft Advice on Net Economic Benefit and Planning statement⁷.

The note outlines the importance of demonstrating the net economic benefit of a Proposed Development, highlighting the importance of taking economic benefits into account when determining a planning application.

The Draft Advice states, *'where net economic benefit is likely to be a material consideration in the decision, the onus will be on the developer to provide the relevant information in support of the planning application. The planning authority will evaluate the assessment of net economic benefit provided by the applicant.'*

This Socio-economic Benefit Statement has been completed in line with the latest guidance on Net Economic Benefit and Planning. It assists in demonstrating the economic rationale and economic impact of the Proposed Development and addresses the needs of The Highland Council.

3.6 Highlands and Islands Strategy

HIE's Strategy 2023 - 2028⁸ reflects the themes of NSET and is guided by the national priorities Guided by national policy. It takes account of the leading role the Highlands and Islands plays in developing sectors and to deliver actions that will *'enhance Scotland's prosperity and help achieve net zero emissions of greenhouse gases by 2045.'*

There is a strong emphasis on renewable energy, and achieving net zero emissions by 2045, and states *'Taking climate action and ensuring the region realises economic and community benefit from a just transition to net zero is a top priority.'*

The supporting Operating Plan also reflects the themes of NSET, stating *'The enviable renewable energy generation potential of Highlands and Islands is enormous. This is recognised through the recent ScotWind leasing round as well as regional bids for Green Freeport status.'*

There is a strong emphasis on renewable energy in the Operating Plan. One of the three overarching 'ambitions' is that of 'Greener' – *'Demonstrating global leadership in delivering a just transition to net zero, nature-positive economy, and rebuilding natural capital'*.

One of the three identified areas of action for the Inner Moray Firth area is to *'support a transition in the energy economy in the Inner Moray and Cromarty Firth from oil and gas to renewable energy'*. The Operating Plan details a range of actions under *'Create the Conditions for Growth and Recovery'* which include:

⁷ <https://www.gov.scot/publications/draft-advice-on-net-economic-benefit-and-planning/>

⁸ <https://www.hie.co.uk/about-us/policies-and-publications/strategy-and-operating-plan/>

- support the region's bid to secure Green Freeport Status and benefits realisation, note this was secured in 2023;
- facilitate world leading wave and tidal energy development through partnership and seek to secure project and manufacturing opportunities for the region;
- support early-stage delivery of ScotWind and wider offshore wind opportunities through developer engagement and participation on the Scottish Offshore Wind Energy Council;
- seek opportunities in cross border, cross-sector collaboration to increase innovation.

There are interesting wider benefits arising from the focus on renewables in HIEs Operating Plan, cutting across traditional local economic development channels. Under the Actions on 'Enable Strong Capable and Resourceful Communities', for example, there is a commitment to research and deliver wider community benefits as a result of development in the sector.

The Proposed Development support's HIE Strategy and Operating Plan, and HIE is actively engaged with the Scottish and UK Government's in supporting the ongoing development and delivery of the Inverness and Cromarty Firth Green Freeport. HIE has commissioned a wider Outline Business Case, and Economic Case, to guide and maximise the economic opportunities of all freeport projects, including all aspects (including port infrastructure) of the plans for the PON.

HIE's developing focus on the Blue Economy encompasses a very broad range of ocean based sectors, including Marine Energy and Renewables.

The Blue Economy in the Highlands and Islands, Towards a Regional Delivery Plan⁹ was published by HIE in February 2023. It highlights, for example, the value of the European Marine Energy Centre (EMEC) with its work on wave and tidal energy. It also highlights the potential benefit of co-location across the diverse group of sub-sectors, including skills transfer and enhanced port infrastructure. One of the benefits of the Regional Delivery Plan could be the coordination of activity across diverse sectors to ensure a cohesive approach.

One of the report's recommendations is that '*at an early stage, it will be useful to identify likely opportunities for synergies and clustering of activities and supply chains and consider the role of clusters and how these can be built on and developed. This should not seek to duplicate existing clustering but should add to it and consider how sector-level clustering could be layered to provide a Blue Economy super cluster*'.

The Proposed Development will support HIE's Regional Delivery Plan in the form of infrastructural development to support the energy transition and net zero targets.

3.7 Inverness and Highland City Deal

The Highland Council is committed to delivering the City-Region Deal vision for Highlands, with the aim of Transforming the Highland Economy¹⁰. The 'City-Region Deal' is to position the Highlands as a region of digital opportunity. This vision was turned into reality in 2017 when the Inverness and Highland City Region Deal was approved.

This formalised the commitment of £315 million worth of funding - £135 million from the Scottish Government, supported by £127 million from THC and its partners, and another £53m from the UK Government. The City-Region Deal is designed to deliver the following outcomes:

⁹ <https://www.hie.co.uk/media/13380/the-blue-economy-in-the-highlands-and-islands-executive-summary.pdf>

¹⁰ <https://www.highland.gov.uk/cityregiondeal>

- Over 1,000 direct jobs as a result of City-Region Deal projects with a further 2,200 additional jobs in the construction sector;
- A skilled labour market moving towards a high skilled high wage economy;
- A centre of excellence in rural and digital healthcare with sufficient mass to attract research and investment and fully exploit the commercial opportunities;
- Business growth through effective digital connectivity and promotion of innovation;
- Improved productivity and real wages, which are estimated to increase by almost 1.3% and bring £100 million per annum to the regional economy;
- A rebalanced population with the aim of retaining and/or attracting 1,500 young people in the 18-29 age group over the initial 10-year deal period;
- 6,000 new houses over 20 years of which 1,800 will be affordable homes; and
- Private sector leverage from housing building and, through opening up land for commercial development, would see a return over a 20-year period of around £800 million being invested in the economy of the city and region.

The Proposed Development supports the City Deal, notably in terms of the new high quality port servicing jobs. It will also support the productivity aims of the City Deal by creating an asset which not only supports the cable manufacturing factory but supports the other business interests of the PON.

3.8 Inverness and Cromarty Firth Green Freeport

The UK and Scottish governments jointly confirmed in January 2023 that Inverness and Cromarty Firth Green Freeport¹¹, led by Opportunity Cromarty Firth, was successful in their bid to establish a new Green Freeport. Opportunity Cromarty Firth is a partnership of organisations exploring the opportunity for the Cromarty Firth to become a 'Free Trade Zone'. Partners of the project include the Port of Cromarty Firth and Global Energy Group, as well as other regional businesses, academia and the public sector.

The primary objective of Opportunity Cromarty Firth is to maximise the local benefits from a pipeline of renewable energy projects which will create business opportunities and employment, attract inward investment, research and development, and position the Highlands at the heart of the country's commitment to becoming a net-zero economy.

The stated objective of the Inverness and Cromarty Firth Green Freeport is '*to maximise the local benefits from a pipeline of renewable energy projects which will create business opportunities and employment, attract inward investment, research and development, and position the Highlands at the heart of the country's commitment to becoming a net-zero economy*'.

Each Freeport will benefit from 'unique operational, regulatory and customs rules' – tax incentives and lower tariffs. Those in Scotland will fulfil the Scottish Government's requirements on Net Zero and Fair Work and Living Wage. Offshore wind is a major component of the Inverness and Cromarty Firth Green Freeport.

GEG is a founding member of the Inverness and Cromarty Firth Green Freeport, and is working with HIE, Scottish and UK governments and the freeport to maximise the economic opportunities afforded by the new freeport status.

¹¹ <https://greenfreeport.scot/>

3.9 Inner Moray Firth Local Development Plan

The second and current ten year Inner Moray Firth Local Development Plan¹² emerged in May 2022, it was submitted to the Scottish Ministers in March 2023. The Development Plan notes the importance of decarbonisation and the shift to Net Zero to the local economy: *'This Plan supports the area to maximise local and Scotland-wide benefits from investment in renewable energy and place the Highlands at the heart of the drive towards net-zero. The area's legacy of strategically important oil and gas fabrication sites and abundance of renewable energy resources off its coast mean it is ideally placed to be at the forefront of the fast moving green energy revolution. The ScotWind alone is a multi-billion pound, 50 year pipeline of offshore wind projects planned for the Outer Moray Firth and offers a unique chance build a green, sustainable economy which places our natural assets at its centre'*.

The Development Plan highlights the level of inter-agency working around decarbonisation. The Inverness and Cromarty Firth Green Freeport is an example. The cross-sector partnership was established to take forward the Green Free Port proposals involving the Council, HiTrans and involving all four of the main ports in the area, Port of Cromarty Firth, PON, Port of Inverness and Highland Deephaven. The Plan supports the growth of the sector by identifying a range of business and industrial sites, including each of the main ports in the region.

3.10 Other Relevant Policies, Studies and Strategies

Work commissioned by the Offshore Wind Growth Partnership highlights particular supply and demand characteristics. The report, 'UK Strategic Capability Assessment Offshore Wind Foundations¹³' estimates that UK uncontracted fabrication for foundations to be worth £3.9bn for monopile foundations and £1.6bn for jacket foundations for the period up to 2030 – increasing between 2030 and 2050 by a further £1bn for monopiles, £1.5bn for jackets and £9.7bn for floating foundations. The same report also called for regional government agencies to work with port owners to unlock investment for port upgrades.

Two reports highlight the challenges faced in terms of developing port and harbour infrastructure. 'Ports for Offshore Wind, A Review of the Net-zero Opportunity for Ports in Scotland¹⁴', was issued in light of forthcoming wind leasing rounds with a view to ensuring port and harbour facilities would be able to maximise the benefits arising from future rounds. One finding is *'there are currently no major 'hub' ports in Scotland providing co-located marshalling/assembly and fabrication/manufacturing on a scale comparable to the facilities that have been developed in the past 10 years of the offshore wind industry at ports in other North Sea countries'* which will be needed to compete with ports in Germany, Holland and Denmark.

The report also states, on the decarbonisation supply chain, *'the rapid rate of offshore wind market evolution, and hence emergence of certainty in demand, compared to the relatively long lead-time for port upgrades means that there is a risk of continual under-supply in suitable port capacity. In addition, the long design-life of port infrastructure is such that any upgrades implemented now must be compatible with a future fully decarbonised lifecycle for offshore wind, including supply chain stages such as manufacturing, shipping and in-port component handling and assembly'*.

¹²

https://www.highland.gov.uk/info/178/local_and_statutory_development_plans/202/inner_moray_firth_local_development_plan

¹³ <https://ore.catapult.org.uk/wp-content/uploads/2020/01/UK-OSW-Foundations-Strategic-Capability-Assessment-2019-v04.03.pdf>

¹⁴ <https://www.crownstatescotland.com/news/new-research-on-net-zero-opportunities-for-scotlands-ports>

One of the main recommendations is that Scotland must increase large port capacity that is suitable for marshalling and assembly activities underpinning offshore wind infrastructure. The Cromarty Firth ports (Nigg and Invergordon) are identified as offering good potential for development.

This work was followed up by 'Port Enhancements for 'Offshore Wind - Assessment of Current and Future Marshalling & Assembly Capacity in Scottish Ports'¹⁵, for HIE, Scottish Enterprise and the Crown Estate Scotland which assesses the potential for development across Scotland's port infrastructure. It identifies high levels of 'confidence' in terms of the potential development of Nigg, e.g. in terms of additional lay down area capacity (25 ha). Nigg in fact scored highly across all of the development factors identified in the report in terms of its potential scalability, potential enhancement and investment readiness.

One of the report's conclusions is that the *'North-East Scotland Cluster – Nigg, Cromarty, Aberdeen and Orkney are all well positioned relative to ScotWind Leasing Zones across the North Sea and Moray Firth and benefit from feasible long-term expansion options. There will be high demand for marshalling & assembly laydown area in these locations'*.

But the report concludes with a challenge: *'A significant challenge exists for the industry including developers, ports and public sector partners to secure the marshalling & assembly capacity necessary to meet the offshore renewable capacity requirement which are likely to range between 175ha and 300ha (upper bound projection) by 2030'*.

HIE, in conjunction with the Department of International Trade (DIT) and various developers, has secured (May 2022) a High Potential Opportunities Project (HPO)¹⁶ with the aim of establishing a floating wind manufacturing cluster in the Cromarty and Moray Firths. The project will target Direct Foreign Investment infrastructure such as cables, anchors, mooring/tethering systems, floating wind substructures (steel and concrete). It gains UK recognition and support for the development of the Cromarty Firth as a major focus of floating offshore wind manufacturing in the UK.

Underpinning the collaborative approach to Scotland's port redevelopment is an Offshore Wind Collaborative Framework Development¹⁷ agreement signed in January 2022 and developed by the Scottish Offshore Wind Council (a partnership between the Scottish public sector and the offshore wind industry). The purpose of the Framework is to *'support the growth of a Scottish Ports Cluster able to secure floating platform manufacturing, fabrication, assembly and load-out activity in Scotland.'*

Scottish Ports has developed a vision to support the growth of ports in Scotland as outlined in their Gateway for Growth 2023¹⁸. This report states that:

- 14,800 people in Scotland are directly employed in the ports industry;
- £1.9bn estimated GVA contributed to Scotland's GDP each year by the Scottish ports industry. In addition to handling millions of passengers and tonnes of cargo, the ports industry offers a wide range of other services;
- £630m contributed by the wider maritime services sector in Scotland through corporation, labour and indirect taxes; and
- Scotland's ports are vital enablers of the wider maritime sector, which is worth £4.2bn in GVA, and employs 48,100 people in Scotland and generates £88,300 GVA per worker.

¹⁵ <https://www.evaluationsonline.org.uk/evaluations/Search.do?ui=basic&action=showPromoted&id=721>

¹⁶ <https://www.hie.co.uk/latest-news/2022/may/27/international-focus-on-cromarty-and-moray-firths-to-create-a-floating-offshore-wind-port-cluster-in-scotland/>

¹⁷ <https://www.offshorewindscotland.org.uk/media/11941/sia-collaborative-framework-draft-principles.pdf>

¹⁸ https://www.britishports.org.uk/content/uploads/2018/04/scottish_ports_gateways_for_growth_2018.pdf

Scottish ports play an important role in shaping Scotland's economy, its people, and helping connect Scotland to the rest of the world. Whilst their traditional role in facilitating the transportation of goods is important, they also support a range of local industries, help provide well-paid jobs, are at the heart of coastal communities, and are pivotal in delivering the Just Transition to Net Zero.

Not only is there a strong policy fit, but there are also a range of other supporting initiatives, frameworks and supporting activities, which evidence a strong willingness and partnership approach between the public sector and renewables industry, and these will be furthered by the Proposed Development.

3.11 Summary

It is within this hierarchy of policy and strategy support, from the new NPF4 and NSET to HIE's Strategy and in particular the Inverness and Cromarty Firth Green Freeport vision which provides the strategic rationale for supporting the establishment of the Proposed Development. The policy support, and strategic fit, of the Proposed Development is strong across all spatial levels and in particular the drive towards achieving net zero.

At the national and local level, the renewables sector is a key sector, and growing the value and reputation of the sector can be aided by encouraging investment, and inward investment, in businesses associated with the sector.

4 Socio-economic Baseline

4.1 Introduction

This socio-economic baseline assessment outlines the socio-economic characteristics of the Highlands, the Inner Moray Firth (IMF) and compares the Highlands and IMF with the Scottish and national economies. It also presents detail on the Easter Ross and local economies.

4.2 Population

The Highland Council (THC) area has a population of over 238,000 residents and has witnessed an increase of 2.3% over the period 2011 to 2021 – compared to 3.4% increase at the Scottish level and an 5.9% rise at the national (Great Britain (GB)) level (see Table 3.1). Population growth in the area is also increasing slower than the overall Scottish and GB rates.

Table 4.1: Population (2021)

	Highland	Scotland	Great Britain
	(Numbers)	(Numbers)	(Numbers)
All people	238,100	5,479,900	65,121,700

Office for National Statistics (ONS) Population Estimates

The Inner Moray Firth area has witnessed a slower rate of population growth in recent times, and is expected to witness a decline in population, which is set against growth recorded at the national level. Although Inverness is expected to see an increase of around 11% and Mid-Ross an increase of 12% in the period to 2041, Easter Ross population is expected to decline by 14% over the same time period.

In terms of the working age population, 60.8% of the regional population is of working age, compared to 63.8% and 62.9% at the Scottish and GB levels respectively (see Table 4.2). This indicates that the area has a lower proportion of people of working age, which can be seen to be an economic challenge in terms of securing future economic prosperity.

Table 4.2: Population Aged 16-64 (2021)

	Highland	Highland	Scotland	Great Britain
	(Numbers)	(%)	(%)	(%)
All people	144,700	60.8	63.8	62.9

ONS Population Estimates

4.3 Economic Activity

Table 4.3 below highlights that the Highlands has a higher proportion of working age people who are economically active, when compared to the Scottish level. The regional area also has a higher proportion of people in employment than recorded nationally. The numbers are estimates and are rounded and therefore do not tally.

Table 4.3: Employment and Unemployment (October 2022 – September 2023)

	Highland	Highland	Scotland	Great Britain
	(Numbers)	(%)	(%)	(%)
Economically Active	124,700	78.8	77.9	78.8
In Employment	121,600	76.7	75.2	75.8
Employees	106,600	68.5	67.2	66.3
Self Employed	13,700	7.7	7.7	9.2
Unemployed (Model-Based)	3,100	2.5	3.4	3.7

ONS Population Survey

This suggests that the region has more people of working age, those who are of working age are also more economically active than recorded nationally and at the GB level. This is an economic strength and one which can help secure future economic wealth. A more detailed assessment of unemployment is set out in section 4.6.

4.4 Economic Activity

Corollary to lower economic activity rates, the Highlands has a lower rate of economic inactivity, as shown in Table 4.4. The numbers are estimates and are rounded and therefore do not tally.

Table 4.4: Economic Inactivity (October 2022 – September 2023)

	Highland (Numbers)	Highland (%)	Scotland (%)	Great Britain (%)
Total	31,100	21.2	22.1	21.2
Student	N/A	N/A	24.9	26.8
Looking After Family/Home	N/A	N/A	16.6	19.4
Temporary Sick	N/A	N/A	2.6	2.3
Long-Term Sick	9,800	31.7	31.7	26.9
Discouraged	N/A	N/A	N/A	0.2
Retired	6,600	21.2	14.0	12.7
Other	6,400	20.5	9.9	11.5
Wants A Job	7,200	23.3	18.2	17.5
Does Not Want a Job	23,800	76.7	81.8	82.5

ONS Population Survey

It is worth noting that of those economically inactive, the region has a higher proportion of people who 'want a job' (23.3%) compared to the Scottish (18.2%) level. This suggests there is more of a desire to find work in the Highlands than recorded nationally.

4.5 Worklessness Households

In terms of worklessness, there are fewer households in the region, compared to the Scottish level, that are workless households (see Table 4.5)

Table 4.5: Workless Households (October 2022 – September 2023)

	Highland	Scotland	Great Britain
Number Of Workless Households	10,000	320,100	2,858,400
Percentage Of Households That Are Workless	15.9	17.8	13.9
Number Of Children in Workless Households	N/A	88,400	1,270,500
Percentage Of Children Who Are in Households That Are Workless	N/A	10.2	10.3

ONS Population Survey

4.6 Claimant Count Unemployment

The latest claimant count unemployment rate highlights that although the region has a lower rate than the Scottish rate, the unemployment rate is also below the GB average (see Table 4.6).

Table 4.6: Claimant Count Unemployment (February 2024)

	Highland (Numbers)	Highland (%)	Scotland (%)	Great Britain (%)
All People	3,390	2.3	3.1	3.8

ONS Claimant Count

Although unemployment has recovered from the sharp increases as a result of the global pandemic, there are emerging signs that it is beginning to rise and is expected to rise as the UK experiences an economic slowdown as a result of the cost of living crisis. The number of people out of work and claiming benefit in the Highlands over the last six months has increase by 14%.

It is also worth noting that the unemployment rate does not cover 'under-employment', in addition to this there is now an increasing number of people claiming Universal Credit across the Highlands, which increased from around 18,000 in December 2022 to 18,535 in July 2023. This suggests that although the unemployment rate is low there is still a large and increasing number of people claiming Universal Credit.

It is worth noting that the local ward (Tain and Easter Ross) has an unemployment rate slightly higher than the regional average, at 2.5% in February 2024, equating to 145 people out of work and seeking employment. This is 16% higher than the figure reported in September 2023.

Table 4.7 below demonstrates that the regional unemployment levels are below the Scottish and GB levels across all age cohorts.

Table 4.7: Claimant Count Unemployment by Age (February 2024)

	Highland (Numbers)	Highland (%)	Scotland (%)	Great Britain (%)
Aged 16+	3,390	2.3	3.1	3.8
Aged 16 To 17	25	0.5	0.6	0.2
Aged 18 To 24	545	3.3	4.2	5.2
Aged 18 To 21	310	3.4	4.5	5.3
Aged 25 To 49	1,960	2.9	3.6	4.4

ONS Claimant Count

4.7 Employment By Occupation

Table 4.8 highlights the type of employment at the Highlands, Scottish and GB levels. It indicates that the region has a higher proportion of managers, caring, leisure and service, process plant and machine operatives and elementary occupations than the Scottish and GB levels.

Table 4.8: Employment by Occupation (October 2022 – September 2023)

	Highland (Numbers)	Highland (%)	Scotland (%)	Great Britain (%)
Soc 2020 Major Group 1-3	51,100	42.1	50.4	52.6
1 Managers, Directors and Senior Officials	11,600	9.6	7.6	10.5
2 Professional Occupations	23,400	19.3	26.5	27.0
3 Associate Professional Occupations	16,100	13.2	16.1	14.9
Soc 2020 Major Group 4-5	18,600	15.3	18.9	18.4
4 Administrative & Secretarial Occupations	9,500	7.8	9.1	9.6
5 Skilled Trades Occupations	9,100	7.5	9.7	8.7
Soc 2020 Major Group 6-7	25,600	21.1	15.4	14.1
6 Caring, Leisure and Other Service Occupations	17,100	14.0	8.3	7.9
7 Sales and Customer Service Occs	8,500	7.0	7.1	6.1
Soc 2020 Major Group 8-9	26,300	21.6	15.3	14.9
8 Process Plant & Machine Operatives	8,100	6.7	4.8	5.4
9 Elementary Occupations	18,200	14.9	10.4	9.5

ONS Annual Population Survey

Regionally there are fewer people employed in professional, associate professional, administrative, skilled trades and sales posts.

4.8 Jobs

The region has a lower proportion of full-time jobs and more part-time jobs than the Scottish and GB levels as set out in Table 4.9.

In terms of industry of employment, the Highlands have higher rates of water supply related posts, construction jobs, wholesale and retail trade, accommodation and food service occupations, health and social work jobs and arts, entertainment and recreation posts.

The construction sector is well represented at the Highlands level, suggesting the local area is well positioned to benefit from aspects of the Proposed Development, as shown in Table 4.9 below. The numbers are estimates and are rounded and therefore do not tally.

Table 4.9: Employee Jobs (2022)

	Highland (Numbers)	Highland (%)	Scotland (%)	Great Britain (%)
Total Employee Jobs	111,000	-	-	-
Full-Time	72,000	64.9	67.3	68.8
Part-Time	40,000	36.0	32.7	31.2
Employee Jobs by Industry				
B : Mining And Quarrying	400	0.4	1.0	0.2
C : Manufacturing	6,000	5.4	6.9	7.6
D : Electricity, Gas, Steam and Air Conditioning Supply	1,000	0.9	0.8	0.4
E : Water Supply; Sewerage, Waste Management and Remediation Activities	2,250	2.0	0.7	0.7
F : Construction	8,000	7.2	5.7	4.9
G : Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	16,000	14.4	12.9	14.0
H : Transportation and Storage	4,500	4.1	4.1	5.0
I : Accommodation and Food Service Activities	15,000	13.5	8.4	8.0
J : Information and Communication	2,500	2.3	3.2	4.6
K : Financial and Insurance Activities	900	0.8	3.3	3.3
L : Real Estate Activities	1,500	1.4	1.3	1.9
M : Professional, Scientific and Technical Activities	6,000	5.4	7.4	9.1
N : Administrative and Support Service Activities	6,000	5.4	8.1	9.0
O : Public Administration and Defence; Compulsory Social Security	6,000	5.4	6.5	4.7
P : Education	9,000	8.1	8.8	8.6
Q : Human Health and Social Work Activities	19,000	17.1	15.7	13.5
R : Arts, Entertainment and Recreation	4,000	3.6	3.0	2.4
S : Other Service Activities	1,500	1.4	1.6	2.0

ONS Annual Population Survey

The region has a lower proportion of mining and quarrying roles, manufacturing employment, Information Technology and Communications (ITC) roles, financial service posts, professional services, education posts and public administrative related jobs. The manufacturing sector is underrepresented which may affect the region's ability to benefit from the Proposed Development. However, it may also be the case that the Proposed Development can support the manufacturing and transport sub-sectors and aid its growth to become more representative of the Scottish level.

4.9 Businesses

In terms of the business base, the Highlands has a higher proportion of micro enterprise and smaller business units (in terms of employment numbers) than witnessed at the national (Scottish) level. The incidence of larger businesses is lower in the regional level than recorded nationally as shown in Table 4.10.

Table 4.10: Business Counts (2022)

	Highland	Highland	Scotland	Scotland
	(Numbers)	(%)	(Numbers)	(%)
Enterprises				
Micro (0 To 9)	9,430	88.0	149,665	87.3
Small (10 To 49)	1,105	10.3	18,170	10.6
Medium (50 To 249)	150	1.4	2,820	1.6
Large (250+)	25	0.2	700	0.4
Total	10,710		171,350	
Local Units				
Micro (0 To 9)	11,175	82.4	174,205	80.8
Small (10 To 49)	2,035	15.0	33,710	15.6
Medium (50 To 249)	325	2.4	6,740	3.1
Large (250+)	25	0.2	1,055	0.5
Total	13,560		215,710	

Inter Departmental Business Register

4.10 Qualifications

In terms of education attainment levels, the region has fewer highly qualified residents and also has more residents with no qualifications than recorded at the Scottish level as show in Table 4.11

Table 4.11: Qualifications (January 2022 – December 2022)

	Highland	Highland	Scotland	GB
	(Numbers)	(%)	(%)	(%)
Individual Levels				
RQF4 and above	62,300	47.5	54.2	45.7
RQF3 and above	94,400	72.0	72.8	66.9
RQF2 and above	114,100	87.1	86.0	85.8
RQF1 and above	114,100	87.1	87.5	88.5
Other Qualifications	N/A	N/A	4.5	4.7
No Qualifications	11,000	8.4	8.0	6.8

ONS Annual Population Survey

4.11 Earnings

In terms of earnings, the region has higher rates of gross weekly wages than those achieved at the Scottish and GB levels as presented in Table 4.12. The hourly pay is generally below the Scottish and GB levels.

Table 4.12: Earnings by Place of Residence (2023)

	Highland	Scotland	GB
	(£)	(£)	(£)
Gross Weekly Pay			
Full-Time Workers	705.3	702.4	682.6
Male Full-Time Workers	713.9	725.7	728.3
Female Full-Time Workers	664.7	672.0	628.8
Hourly Pay - Excluding Overtime			
Full-Time Workers	18.02	18.09	17.49
Male Full-Time Workers	18.16	18.17	18.15
Female Full-Time Workers	17.80	18.00	16.64

ONS Annual Survey of Hours and Earnings

4.12 Scottish Index of Multiple Deprivation

The Scottish Index of Multiple Deprivation (SIMD, 2020) ranks all of the 6,976 data zones across Scotland. The data zones are ranked from 1 (most deprived data zone) to 6,976 (least deprived). Data zones are the key geography for the dissemination of small area statistics in Scotland and are widely used across the public and private sector.

The ranking is based on a number of indicators across seven categories: income, employment, health, education, skills and training, housing, geographic access and crime. Data zones ranked between 1 and 1,185 are the most deprived 15% of data zones across Scotland, and those ranked between 1 and 1395 are the most deprived 20%.

THC has 30 data zones (from a total of 312 Highland data zones) designated within the most deprived 20% in Scotland, this is an increase from SIMD 2012 when the local authority had 17 wards designated within the most deprived 20% in Scotland. Although the Highlands cannot be deemed to be an area of deprivation, there remain pockets of deprivation, largely in and around Inverness, and this position has worsened over the last five years.

Locally, there is one area of notably deprivation in nearby Balintore, where one of the data zones is in the most deprived 10% in Scotland, and this position has worsened since 2012 and 2016. This data zone abuts the Proposed Development. There are also datazones in nearby Kildary and Milton and also throughout Invergordon and Aines which have relatively high deprivation rates.

4.13 Local Socio-Economic Baseline

A headline overview of the local economy has been undertaken to assess it against the Highlands and Islands and Scottish economies. For the purposes of the local assessment the area has been defined Inner Moray Firth (IMF) area. This area has been identified as there are available statistics to allow a comparison, and these statistics are drawn from HIE. A map of the IMF area is presented in Figure 4.1.

Figure 4.1: Map of Inner Moray Firth



A review of Highlands and Islands Enterprise's Economic Profile for Inner Moray Firth (Highlands and Islands Enterprise, 2020) has been completed and the following summary of the local area is presented below:

- Total population was 157,934 in 2018, an increase of 2.7% from 2011;
- Population density (20 people per sq. km) is higher than that for the Highlands and Islands (12 people per sq. km) but lower than the Scottish average (70 people per sq. km);
- The Inner Moray Firth has a younger age profile than the Highlands and Islands but older than Scotland;
- An Economic Activity rate (80.8%) in line with the Highlands and Islands (80.9%) but higher than Scotland (77.9%);
- A percentage of self-employed (8.5%) in line with Scotland (8.7%) but lower than the Highlands and Islands (11.0%); and
- An employment rate (78.5%) in line with the Highlands and Islands (78.6%) and higher than Scotland (74.7%).

The Inner Moray Firth experienced population growth between 2011 and 2019. While the population is projected to decline by 2043, there is variation across the area. It has a younger age profile than the average regionally, although still a higher dependency ratio than nationally at 62.6%.

The Inner Moray Firth area will need to respond to the requirements of young people who have been disproportionately affected economically given its younger age profile than the rest of the region.

Inner Moray Firth is likely to be harder hit than the Scotland average, but fare better than more remote parts of the region given:

- Expected GVA decrease of £756m across Highland in 2020, a decline of 11.7%, in line with the regional average (11.7%) but higher than the national level (10.7%);
- While the area has a higher share of employment in the five sectors (manufacturing, construction, retail, accommodation and food services and arts/recreation) most exposed to COVID-19 overall compared to regionally and nationally (43%, compared to 41% and 38% respectively), Inner Moray Firth has a more diverse sector employment base than other parts of the region increasing its relative resilience; and
- Its existing vulnerability to Brexit (Highland is ranked 5 of 32 Scotland local authorities), although Inner Moray Firth is likely to be more resilient than more rural parts of Highland. Brexit vulnerability identifies areas of Scotland that are expected to be most vulnerable to Brexit based on access to services, share of working age population, income deprivation, population change, workers in Brexit sensitive industries, EC Payments (CAP and ESF/ERDF) and EU worker migration.

4.14 Summary

In summary, the socio-economic baseline assessment confirms a number of worrying trends, and these threaten the long term economic sustainability of the Highlands and Tain and Easter Ross.

It is clear from the overview presented in this section that the Highlands and Easter Ross continue to face a wide range of economic challenges. Both have witnessed a slower rate of population growth in recent times, and are expected to witness a decline in population, which is set against growth recorded at the national level. Although Inverness is expected to see an increase of around 11% and Mid-Ross an increase of 12% in the period to 2041, the population of Easter Ross is expected to decline by 14% over the same time period.

This threatens the future economic sustainability of the local area and suggests investment is required to attract working age people to the area, there is scope for new sectors such as renewables to slow the population decline.

The area was adversely affected by the onset of the Covid-19 pandemic, and there are emerging signs at the regional and local levels that unemployment is increasing again, which may be a result of the cost of living crisis. Although it is recognised that there is a clear willingness for people to find work, the local economy is not generating these opportunities. The Proposed Development, in conjunction with the wider expansion of the local renewables industry, is well positioned to generate new employment opportunities and stimulate local economic growth.

Similarly, relative deprivation is noticeably higher locally compared to other spatial areas, with a neighbouring data zone amongst one of the most deprived areas in the Highlands and one in the most deprived 10% in Scotland. Easter Ross deprivation position has worsened over the period from 2012, and this position is concerning in relation to promoting economic and community development in this location. There are also pockets of high deprivation in nearby Kildary, Milton, Invergordon and Ainess.

New investment in key economic sectors, such as renewables, can help to boost the local economy which continues to be adversely affected from historical industrial decline, and resultant deprivation.

Overall, it is clear that the Highlands, and in particular Easter Ross is facing a number of economic challenges, and its future economic prosperity cannot be guaranteed. In the absence of new investment there is a likelihood that the area will continue to be excluded and suffer in economic terms. There is scope for new investments to attract economic activity, investment and employment opportunities for existing and prospective residents to the area. The Proposed Development can aid economic development encouraging new investment, jobs, skills development and income.

5 Socio-Economic Impact Assessment

5.1 Introduction

This section sets out the socio-economic impact assessment of the Proposed Development.

5.2 Effects Assessment and Methodology

The socio-economic effects of the Proposed Development have been assessed using a bespoke and high level economic model, which has been based on a review of the project documentation and discussions with the GEN and GEG. It has been split into two phases and the following impacts have been considered:

- construction: the economic activity, and multiplier effects, associated with the construction of the Proposed Development, in person year employment and GVA terms; and
- operation: the economic activity associated with the operation of the Proposed Development, which includes:
 - direct: the impact of operating the Proposed Development and the employment required for its operation;
 - supply spending: the impact associated with supply chain expenditure;
 - staff spending: impact from employees' spending their salaries and wages with the economy; and
 - An estimate of GVA effects, based on a review of the turnover gains and new employment at an enhanced PON.

To estimate the economic impacts associated with construction and operation, it was first necessary to know the expenditure or employment associated with each impact (e.g., construction spending). This has been provided by the Applicant, with adjustments made where appropriate. It was then necessary to make assumptions about the share of activity that would occur in each spatial area. This was based on an assessment of the industrial capacity of each area, informed by the socio-economic baseline, and the proportion of expenditure associated with the port operations.

On this basis, the expenditure in relevant sectors was assessed and direct GVA and employment was estimated using the Scottish Annual Business Statistics¹⁹, which provides information about turnover, GVA and employment for each sector in the economy.

It was then necessary to account for indirect impacts, those associated with spending across the supply chain, and induced impacts, those linked to employees spending their salaries and wages in the economy. To achieve this, the GVA and employment Type 1 (indirect only) and Type 2 (indirect and induced) multipliers from the Scottish Input-Output Tables²⁰ were applied. Indirect GVA and employment impacts were estimated by multiplying direct impacts by the Type 1 GVA and employment multipliers. Induced GVA and employment impacts were estimated by multiplying direct GVA and employment by the difference between Type 2 and Type 1 GVA and employment multipliers. Since the Scottish multipliers refer to aggregate impacts in the Scottish economy an adjustment was made to reflect the impacts in the Highlands, where it was assumed that 50% of indirect impacts and 50% of induced impacts would take place.

¹⁹ <https://www.gov.scot/publications/scottish-annual-business-statistics-2021/>

²⁰ <https://www.gov.scot/publications/input-output-latest/>

5.3 Construction Effects

The total capital investment has not been fully costed but is expected to be in the region of [Redacted]. Discussions with the Applicant suggest around 17% of this construction activity will benefit businesses at the Highland level, or [Redacted]

There will be a range of construction opportunities to local and national companies but at this stage it is difficult to assess the exact nature and spatial extent of construction related benefits. However, this will include groundworks, steelworks, laydowns, port works, landscaping, civil engineering and construction contracts. As part of the Design and Construct Contract (NEC4 Option A), GEN has developed a Contracting and Procurement Strategy, and there will be opportunities for local contractors and suppliers to benefit from the construction works.

The Scottish Annual Business Statistics²¹ assumes that the turnover per employee figure is [Redacted] in the construction sector in the Highlands, or that one construction job is generated for every [Redacted] of spend. This results in an estimated 35 local construction jobs, over the construction period. The average GVA for a construction job in the Highlands is assumed to be [Redacted] which suggests the GVA effect of the construction phase is expected to be around [Redacted]

Construction is expected to begin in October 2024, and conclude in June 2026, a period of 20 months. It is also worth adding that [Redacted] has been spent on pre-development fees to date, of which [Redacted] has benefited Highland based businesses.

Evidence has shown that investment in construction projects can have strong 'multiplier effects'. This is where output in a certain part of the economy generates economic activity in other areas of the economy. Multipliers can measure how new capital investment in energy projects can generate additional income across the economy, including for people who live nearby developments.

Economic assessments must consider multiplier effects, which are the further economic activity associated with additional income and supplier purchases. An increase in 'final demand' for a product and an associated increase in the output of that product, where other producers of goods and services respond to this increased demand, is known as the 'direct effect'. This can run right through the supply chain, known as the 'indirect effect'. As employment increases so too do levels of household income, some of which is spent on other goods and services, and this is known as the 'induced' effect.

Multiplier effects for different Scottish industries are provided by the Scottish Government²², with 'Construction' having a Type II multiplier of 1.9 for turnover and 1.8 for employment effects. There are no regional level multipliers in Scotland and therefore the national level Type II multipliers have been halved to assess the indirect and induced impacts for both the regional and national economies. Type I multipliers only allow indirect effects to be calculated.

This suggests that the total effect of local construction activity is likely to be nearer [Redacted], with the creation of **50 construction jobs over two years, with a GVA effect of [Redacted]**

²¹ <https://www.gov.scot/publications/scottish-annual-business-statistics-2021/>

²² <https://www.gov.scot/publications/input-output-latest/>
Socio-economic Benefit Statement of Port of Nigg Eastern Inner Dock Quay

5.4 Operation Effects

At present the PON, which is operated by Global Energy Group and in part managed through a subsidiary Global Port Services Scotland Ltd, currently employs 22 permanent staff, although around 350 people work through the port on a daily basis. The full time complement will increase by 14 staff. These staff will be employed in logistic and maintenance roles servicing marine activities, and they will be employed directly by Global Port Services Scotland Ltd. The new posts will be located in the South Quay Office at the PON. The GVA per head of Transport and Storage jobs is [Redac], suggesting a GVA effect of the new jobs of [Redac].

It is expected that the majority of these new posts will be filled by the people either local to the Highlands and the IMF, or people relocating to the area. It is unlikely, due to the location of the Proposed Development, that people will commute from outside the IMF / Highlands. All these jobs will therefore benefit the local area.

In addition to the 14 new logistic and maintenance jobs at South Quay and GVA effects, there will be further jobs in the supply chain, the multiplier effects (at the local level) in the Water Transport supply chain are 1.3, suggesting the total effects in employment terms is expected to be around **18 FTEs**, and in salary terms [Redacted]

In terms of GVA effects, it is not prudent to use the employment method for working out GVA per employee, this is because the true GVA is much greater due to the technology intensity and capital intensive nature of the Proposed Development. Rather than estimating GVA effects from local employment, the assessment has obtained figures for turnover gains as a result of the new quay. Converting these to GVA, these amount to [Redacted] per annum, and when taking account of multiplier effects these amount to [Redacted] **per annum**

5.5 Wider Economic Impacts

The estimated socio-economic effect assessment indicates that the Proposed Development can bring substantial additional benefits to the IMF/Highland areas, and to Scotland and the UK as a whole. It represents a significant investment that embodies the latest advancement in port operations and as a consequence the GVA per worker is high.

The creation of the factory will deliver critical local content to renewable energy developers and this impact substitution role also means that the project will produce a highly favourable carbon impact. Beyond its operational impacts, the creation of HVDC cable production capacity close to the areas in which it will be needed over the coming decades will help to ensure the rapid pace of offshore wind deployment, in turn supporting wider decarbonisation and net zero objectives.

The investment in new port infrastructure directly linked to the new factory will act as a catalyst for PON to invest in its asset base. Not only will it directly service the port requirements of the new cable factory, but it will also enhance the wider operations of PON. It will make the port more flexible and efficient and generate new revenues whilst safeguarding existing jobs and generating new jobs, and supply chain opportunities. The job opportunities created by the Proposed Development are expected to be relatively well-paid, in turn supporting wider talent attraction objectives which will be key to the growth of the cluster.

In addition to the stated economic opportunities during the construction and operational phases, there are also a variety of wider economic impacts which should be noted as having positive effects on the regional and national economies. These include:

- **Supporting policy objectives;** The proposed development has the potential to contribute significantly towards regional and national policy objectives. Importantly, the Proposed development can support the ambitions set out in the national and regional economic strategies as highlighted earlier in this report. Notably the project represents a new and significant capital investment which aligns well with the area's green credentials. The Proposed Development will support local business through the generation of supply chain opportunities and the creation of jobs, with the addition of skills development opportunities. This squarely fits the ambitions of the new Inverness and Cromarty Firth Green Freeport, the Applicant can work with Opportunity Cromarty Firth to maximise collaboration opportunities with other green businesses in this location to achieve the vision of creating 25,000 new jobs for the area
- **Local supply chain opportunities;** it is worth noting the wide range and scale of potential 'ripple effects' notably around the expenditure of workers who visit the PON who will benefit the accommodation and food service sector. The wider 'knock-on' effects can in turn support the supply chain of other activities, such as the spending habits of retail operations, food service and food retail outlets, and accommodation providers. In addition, there will be project staff requiring other local serviced and non-serviced accommodation on a regular basis. Worker expenditure will support the local and regional economies throughout the 20 month core construction period and over the duration of the project lifetime. There are a range of upstream beneficiaries in the form of contractors, construction firms, utilities providers, hauliers, mechanical and electrical businesses and IT providers for example.
- **Pre-development effects;** it is relevant to note that considerable pre-development costs have been borne by the Applicant and these have benefitted local and national firms. Pre-development activities include; technical consultancy, environmental consultancy, legal and accounting activities and project management support services. Additional impacts related to accommodation of technical staff and their local spending habits can also be described as a pre-development effect. At present these total £300k, of which £150k has benefitted local companies.
- **Perception benefits;** the employment, economic and financial impacts are enhanced through wider strategic impacts associated with strengthening the perception of the area as a place to live, work, visit and invest. The Applicant's contribution to overall perception of the region will work in tandem with the plans created by Inverness and Cromarty Firth Green Freeport to boost public perception.
- **Supporting community investments and property assets;** There are no direct community benefit obligations specified for this development, but GEN make charitable donations on a regular basis for charities and local organisations in Cromarty and Nigg.
- **Training and employability benefits:** Although training and apprenticeship opportunities are not expected to arise directly from the quayside build, significant prospects will emerge at the HV/DC Cable Manufacturing Facility, for which the quayside development serves as a catalyst.

5.6 Summary

In summary, the Proposed Development is expected to benefit the local and national economy in the following respects:

- GEN has already invested almost a significant amount of time and resource on the Proposed Development, committing [Red] to the pre-development stage, of which [Red] has benefitted Highland based companies.
- Total expected quay investment of [Redacted] of which it is estimated £[Redact] will accrue at the local level. With opportunities for local businesses to support in terms of groundwork, landscaping, civil engineering, and construction contracts, resulting in wider supply chain benefits in the region of £[Redact] . A total local construction effect of [Redacted] This is in addition to the wider [Redacted] investment in the subsea cabling manufacturing plant;
- In the region of 35 full time construction jobs at the local level over the 20 month construction phase, when taking multiplier effects into account this equates to 50 construction jobs over two years, with a GVA effect of [Redacted] This too is in addition to the 225 new jobs at the subsea manufacturing plant;
- 14 new logistic and maintenance jobs directly employed by Global Port Services Scotland Ltd once the new quay is fully operational. This will sustain a further four jobs in the wider area, and have a total GVA effect of [Redacted] It is worth noting that the entire development, of which the PON is a catalyst, will have a GVA effect of [Redacted] The operations at PON will be enhanced and turnover and GVA effects will be bolstered by 25% on current levels;
- GVA benefit for the Inner Moray Firth economy of [Redacted] in GVA terms per annum as a direct result of the new quay;
- A wide range of harder to measure benefits in the form of supporting policy objectives, local supply chain benefits, pre-development effects, income effect, exchequer effects, perception benefits, community benefits, supporting community and property assets and training and employability benefits;
- The future of PON will be safeguarded, port activities will be enhanced, and the future long term prosperity of the local area and the wider Cromarty Firth will be aided greatly by these new investment, jobs and economic activity.

6 Conclusions

The Proposed Development is to primarily facilitate the export of HV cable manufactured at the adjacent proposed factory directly onto cable installation vessels. It will also serve as an additional facility to support the existing operations at the site comprising the import, assembly and export of components necessary for energy production in the marine environment.

There is strong policy support for the Proposed Development at the national, regional and sectoral levels. It is within this hierarchy of policy and strategy support, from the new NPF4 and NSET to HIE's Strategy and in particular the Inverness and Cromarty Firth Green Freeport vision which provides the strategic rationale for supporting the establishment of the Proposed Development. The policy support, and strategic fit, of the Proposed Development is strong across all spatial levels and in particular the drive towards achieving net zero.

At the national and local level, the renewables sector is a key sector, and growing the value and reputation of the sector can be aided by encouraging investment, and inward investment, in businesses associated with the sector

In summary, the socio-economic baseline assessment confirms a number of worrying trends, and these threaten the long term economic sustainability of the Highlands and, Tain and Easter Ross.

The Highlands and Easter Ross continue to face a wide range of economic challenges. Both have witnessed a slower rate of population growth in recent times, and are expected to witness a decline in population, which is set against growth recorded at the national level. Although Inverness is expected to see an increase of around 11% and Mid-Ross an increase of 12% in the period to 2041, the population of Easter Ross is expected to decline by 14% over the same time period.

This threatens the future economic sustainability of the local area and suggests investment is required to attract working age people to the area, there is scope for new sectors such as renewables to slow the population decline.

The area was adversely affected by the onset of the Covid-19 pandemic, and there are emerging signs at the regional and local levels that unemployment is increasing again, which may be a result of the cost of living crisis. Although it is recognised that there is a clear willingness for people to find work, the local economy is not generating these opportunities. The Proposed Development, in conjunction with the wider expansion of the local renewables industry, is well positioned to generate new employment opportunities and stimulate local economic growth.

Similarly, relative deprivation is noticeably higher locally compared to other spatial areas, with a neighbouring data zone amongst one of the most deprived areas in the Highlands and one in the most deprived 10% in Scotland. Easter Ross deprivation position has worsened over the period from 2012, and this position is concerning in relation to promoting economic and community development in this location. There are also pockets of high deprivation in nearby Kildary, Milton, Invergordon and AIness.

New investment in key economic sectors, such as renewables and the marine economy, can help to boost the local economy which continues to be adversely affected from historical industrial decline, and resultant deprivation.

Overall, it is clear that the Highlands, and in particular Easter Ross is facing a number of economic challenges, and its future economic prosperity cannot be guaranteed. In the absence of new investment there is a likelihood that the area will continue to be excluded and suffer in economic terms. There is scope for new investments to attract economic activity, investment and employment opportunities for existing and prospective residents to the area. The Proposed Development can aid economic development encouraging new investment, jobs, skills development and income.

In summary, the Proposed Development is expected to benefit the local and national economy in the following respects:

- GEN has already invested almost a significant amount of time and resource on the Proposed Development, committing [Redacted] to the pre-development stage, of which [Redacted] has benefitted Highland based companies.
- Total expected quay investment of [Redacted] of which it is estimated [Redacted] will accrue at the local level. With opportunities for local businesses to support in terms of groundwork, landscaping, civil engineering, and construction contracts, resulting in wider supply chain benefits in the region of [Redacted]. A total local construction effect of [Redacted]. This is in addition to the wider [Redacted] investment in the subsea cabling manufacturing plant;
- In the region of 35 full time construction jobs at the local level over the 20 month construction phase, when taking multiplier effects into account this equates to 50 construction jobs over two years, with a GVA effect of [Redacted]. This too is in addition to the 225 new jobs at the subsea manufacturing plant;
- 14 new logistic and maintenance jobs directly employed by Global Port Services Scotland Ltd once the new quay is fully operational. This will sustain a further four jobs in the wider area, and have a total GVA effect of [Redacted]. It is worth noting that the entire development, of which the PON is a catalyst, will have a GVA effect of [Redacted]. The operations at PON will be enhanced and turnover and GVA effects will be bolstered by 25% on current levels;
- GVA benefit for the Inner Moray Firth economy of [Redacted] in GVA terms per annum as a direct result of the new quay;
- A wide range of harder to measure benefits in the form of supporting policy objectives, local supply chain benefits, pre-development effects, income effect, exchequer effects, perception benefits, community benefits, supporting community and property assets and training and employability benefits;
- The future of PON will be safeguarded, port activities will be enhanced and the future long term prosperity of the local area and the wider Cromarty Firth will be aided greatly by these new investment, jobs and economic activity.

Overall, it is clear from this independent socio-economic benefit assessment that the Proposed Development can play a significant economic role in supporting the economic ambitions of the local, regional and national economies. Importantly it services the requirements of the export of HV cable manufactured at the adjacent proposed factory. However, it also serves as an additional facility to support the existing operations at the PON comprising the import, assembly and export of components necessary for energy production in the marine environment.