

September 2018

Residents
Fairlie



The Scottish Parliament
Pàrlamaid na h-Alba



Dear Resident,

Redevelopment of Hunterston PARC Site

As your local MSP, I would like to provide you with information regarding the above proposal, which I know has raised concerns amongst many Fairlie residents.

Peel Ports, which owns Hunterston PARC, wish to develop the marine yard, deep-water port, and dry dock into a multi-sector, open access, industrial manufacturing and processing centre for oil and gas decommissioning, renewable energy, and floating offshore wind services.

Planning Permission

In order to pursue the above development, Peel Ports submitted three planning applications to North Ayrshire Council (NAC):

1. The addition to the existing use of the yard for the construction and repair of marine structures; for the decommissioning of such structures
2. To replace an existing bund located at the entrance of the dry dock with a caisson gate
3. The extension of an existing jetty attached to the north side of the yard

All three were granted planning permission by NAC's Planning Committee on a cross-party basis on 25 April this year, after a presentation expressing local concerns by Fairlie residents David Nairn and Rita Holmes. The following councillors were all present:

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|-----------------------------------|-----------------------------|------------------------------|
| • Robert Barr (Independent) | Christina Larsen (SNP) | Ellen McMaster (SNP) |
| • Timothy Billings (Conservative) | Shaun Macaulay (SNP) | Ronnie McNicol (Independent) |
| • Ian Clarkson (Labour) | Tom Marshall (Conservative) | Donald Reid (Labour) |

Historically, Hunterston Construction Yard was used for oil rig fabrication. The site is located within the Hunterston industrial area and designated in the North Ayrshire Local Plan for industrial use. Hunterston is also a "National Development" in Scotland's National Planning Framework for maritime construction and industrial development.


Condition 1 of Planning Permission 17/01273/PP is worded in such a way that ensures the storage of structures is restricted to those which are actively being constructed, repaired or decommissioned only. This is to avoid the stacking of oil rigs in the waters around the yard.

Some confusion arose from a promotional video published by contractors, Cesscon Decom, which wrongly identified the existing coal terminal pier as being used for the storage of oil rigs prior to them being floated into the construction yard. There is no planning consent for this and it cannot take place without consent.

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Environmental Impact

The site is on reclaimed land that has historically been used for industry and currently comprises an access road, service infrastructure, a deep void with a bund in place and a hammerhead quay.

Prior to the submission of Peel Ports' Planning Applications, a screening opinion was issued by NAC Planning, followed by a separate opinion from Marine Scotland which consulted with Scottish Natural Heritage. Both stated that a full environmental impact assessment (EIA) was not required.

NAC Planning Officers considered that the inclusion of decommissioning, on top of the existing construction/repair use, would not result in significant environmental impacts. Marine Scotland state that any potential impacts can be identified and mitigated during the marine licensing process without requiring the support of a full EIA.

This mitigation includes, but is not limited to:

marinescotland

- The new dry dock gate structure (caissons) shall be built within the existing sand bund to minimise any potential impacts on the water environment
- The dredge pocket at the hammerhead quay is designed with a stable 1:6 dredge slope which avoids encroachment into the Site of Special Scientific Interest (SSSI)
- The material dredged shall be brought to land. Dredging will only take place when caisson gates and quay upgrades are completed and ready for use.



Any decommissioning on site will be regulated by Marine Scotland and SEPA who will manage any impact on the marine environment through the licensing process. Peel Ports is currently seeking those licenses and no work can be undertaken before these are obtained.

Business Proposal

Peel Ports are in discussion with the Scottish Government, Scottish Enterprise, and North Ayrshire Council on the future of Hunterston.

The PARC already includes a 100 acre marine yard which Peel Ports intend to equip to support decommissioning, the emerging floating offshore wind sector, and other marine engineering opportunities.



Hunterston Port and Resource Centre (PARC)

At present, Scotland does not have the infrastructure to meet forecast market demand in the decommissioning sector and there is a need for investment if the economic value of decommissioning activity, around £11 billion, is to be retained in Scotland and not lost to overseas competitors. Hunterston is the most advanced such investment proposal to date.

The intended capital investment at Hunterston amounts to £75 million over two phases. The first phase will include a £30 million programme of development, providing dry dock, caisson gate, extended jetty, crane pad and site infrastructure. It will also include £15 million investment from partner operators at the site. There will be a second £30 million investment in the second phase, subject to market demand.

In order to make this ground-breaking investment in Scottish infrastructure, a public sector investment of £10 million is required to ensure that this world-class decommissioning facility is established in Scotland. In my view, Scottish Ministers should only support such a facility if it will deliver significant additional employment to North Ayrshire without damaging the environment.

Economic Potential

Between 1997 and 2007, Ayrshire lost 53% of its manufacturing jobs, 14,500, compared to 37% across Scotland. Following the financial crash of a decade ago, Ayrshire has been slow to recover and unemployment remains consistently above the Scottish average, which is now at 4.1%. It is therefore crucial to create new and well-paid employment here in North Ayrshire, where the level of appropriate manufacturing skills is still high.

The operation of the redeveloped facility is expected to create high-value employment opportunities in engineering and related sectors. The proposal also involves a Centre of Excellence, based around a Skills Academy, opening up training opportunities in the area.

The one-off construction of the redeveloped marine yard will create 500 net 'person year' jobs and generate £36 million in Gross Value Added (GVA). GVA is the value generated by the production of goods and services.

Depending on how much tonnage is decommissioned per annum, Hunterston PARC would build up from initial gross onsite jobs at 240 to an estimated peak at 520. These estimates are based on real projects already completed by CessCon Decom, who already employ team at Hunterston preparing bids for future projects. Therefore, there will also be high-level, managerial positions based locally.

Scottish Enterprise, is currently performing due diligence on Peel Ports' proposal and is satisfied that the 240-520 potential jobs created by the proposal would be new jobs.

It is important to note, however, that the site will have capacity to attract additional activity that will further increase the economic value of the investment. The peak employment opportunity of the decommissioning market for Scotland is estimated at 17,000 jobs – the gross on-site employment estimate of 520 jobs at Hunterston equals only 3% of this forecast.

In addition to jobs created on site, it is estimated that the redeveloped Hunterston PARC would generate 250 net additional jobs in the Scottish economy, primarily in North Ayrshire, generating £16 million of net additional GVA per annum. Given Hunterston's recent history as a coal unloading terminal, Scottish Enterprise envisage no adverse impact on local tourism.



Creating a Skilled Workforce

Skills Development Scotland

Ayrshire and the West of Scotland have been identified as having the right business mix and skilled workforce base to ensure that any economic activity is embedded locally.

Part of Peel Port's Programme Objectives is to marry their proposal to the Scottish Government objective of achieving 'inclusive growth.'

Their proposals include:

- A defined programme to support 30 local apprenticeships with a further 20 under the Construction Industry Training Board
- Training in partnership with Skills Development Scotland and Ayrshire College
- A proposed five year rolling programme of up-skilling to support inclusion

With contracts expected to be won in 2019 and the first decommissioning work expected in 2020, there is sufficient time to allow for a new workforce to be upskilled or trained as necessary.

Scottish Government Support for Local Economic Growth

Decommissioning, especially of floating assets, is a new market for Scotland but it has the potential to be a key sector for growth in the Scottish economy. Onshore Recycling and Disposal is estimated at around 2% of spend (£279 million) and represents a key element in the decommissioning lifecycle, with significant opportunities for Scottish ports, facilities and onshore yards.

The Scottish Government is committed to driving inclusive economic growth across Ayrshire, meaning that all communities share in growth, rather than see some bypassed as has happened in the past. This can be seen from the Scottish Government's long-standing commitment to the Ayrshire Growth Deal.

Regarding this particular proposal, Peel Ports was awarded a grant of £240,000 from the Decommissioning Challenge Fund to complete feasibility studies, the first stage of plans to redevelop the marine construction dock, the marine quay and infrastructure to support waste management from decommissioning activity.

Peel Ports has identified an investment funding gap of £10 million. Without this support the project is not viable. At present, Scottish Enterprise is undertaking due diligence on the business case for investment at Hunterston.

I met with Scottish Enterprise and my colleague, the Cabinet Secretary for Economy, Finance and Fair Work, Derek Mackay MSP on 11 September to discuss the project and its implications.



Scottish Enterprise

Scottish Enterprise will pursue a "conditionality of grant", thereby tying any Scottish Government investment to Peel Ports actively seeking local employees, committing to apprenticeships, pursuing inclusive growth, and working with partners to upskill the local workforce and minimise environmental impacts via the 'circular economy.' Issues of concern to Fairlie residents such as hours of work, noise etc; will also be part of those considerations. Failure to fulfil agreed conditions would mean the clawing back of grant.

What's Next?

The matter is now with Scottish Enterprise who will present their due diligence to their Board on Friday 26 October. If the Board approve the grant, they will then finalise a legal agreement with Peel Ports with conditions. Consents, including marine and dredging licensing will also have to be sought by Peel.

I hope the information above clarifies the details of the proposed development of part of the Hunterston PARC site.

As an MSP, I am unable to reverse a planning decision, demand an EIA against professional advice or influence Scottish Enterprise's due diligence process. However, I have made the conditions of my support clear to the Scottish Government, Scottish Enterprise and Peel Ports.

Should you require any further information, please do not hesitate to contact me at any time.

Yours faithfully,

Kenneth J Gibson MSP
Scottish National Party (SNP)
Cunninghame North



The Scottish
Government
Riaghaltas na h-Alba