

Subject: NTCA Offshore and Subsea Infrastructure Programme – Bates Clean Energy

Report of: Principal Economy and Strategy Manager

Portfolio: Place and Productivity

Report Summary

The offshore wind sector provides a game-changing economic opportunity for the area. Given the scale of opportunity but also the scale of investment needed to realise it, NTCA has agreed a headline investment fund allocation of £25 million up to 2028 for the entire programme (including the innovation and infrastructure components), approving the initial £12m till 2022/23, with the remaining of the allocation to be confirmed following a review in 2022/23.

The purpose of this report is to request the approval of funding for the Bates Clean Energy Terminal project for a total value of £2.2 million.

Due to the commencement of the first UK lockdown in March 2020, the scheduled Cabinet meeting on the 24th March was cancelled and it was agreed with Mayor Driscoll, as Chair of Cabinet, the Chief Finance Officer and the Monitoring Officer that all the decisions expected to be made at the Cabinet meeting on 24 March 2020 would be made by the Interim Head of Paid Service as Delegated Decisions in accordance with HPS11 to ensure the efficient conduct of the Authority's business.

On the 1st of April 2020 the Interim Head of Paid Service, under delegation HPS11, agreed the investment fund allocation for the Offshore Wind Infrastructure and Innovation Programme and agreed that relevant call documentation and business case applications for the Offshore Wind Infrastructure and Innovation Programmes could be subsequently approved by the Interim Head of Paid service in consultation with Investment Panel and the Portfolio Holder.

Recommendations

The Interim Head of Paid Service is recommended to

- i. approve £2.2 million for the Bates Clean Energy Terminal, subject to the funding conditions set out in paragraph 1.10

1. Background Information, Proposals and Timetable for Implementation

Proposal Name	Port of Blyth – Bates Clean Energy Terminal
Lead Organisation	Port of Blyth
Delivery Areas	Blyth - Northumberland
Timescales	April 2021 – March 2023
Project Value	£5,550,000
Grant / Loan amount requested	£2,220,000

- 1.1 The offshore wind sector provides a game-changing economic opportunity for the area. Given the scale of opportunity but also the scale of investment needed to realise it, NTCA agreed, in April 2020 a headline investment fund allocation of £25 million up to 2028 for the entire programme (including the innovation and infrastructure components), approving the initial £12m till 2022/23, with the remaining of the allocation to be confirmed following a review in 2022/23.
- 1.2 The Offshore and Subsea infrastructure component of the overall programme - £8.1m till 2023 is focused on improvements that will strengthen existing capabilities and capacity as well as attracting new opportunities and complements the Technology Innovation component. NTCA's approach supports the development of a robust pipeline of investable propositions with a focus on developing infrastructure in ports and quays; in demonstration and research opportunities or to meet the needs of the offshore wind and subsea supply chain.
- 1.3 The first expression of interest call opened on the 10th August 2020 and the closing date was extended to the 2nd November 2020. Investment Panel considered the outcome of the EOI call in December 2020 and agreed to invite the three top ranked proposals to progress to full business case. Each of these will be appraised and considered in line with NTCA's assurance framework and the Bates Clean Energy Terminal Proposal is one of the first proposals
- 1.4 Bates terminal is a former coal handling facility that is strategic employment land for Northumberland with partial Enterprise Zone status. The first phase of redevelopment, which was funded from Enterprise Zone funding, created a link to the adjacent Wimbourne Quay facility and ORE Catapult creating a single operational site of 17 hectares with two berths.
- 1.5 The Bates Terminal sites has been identified as an attractive location for new investors from the offshore wind and subsea markets and has been shortlisted for two major offshore wind related projects, which could potentially create 200 jobs. Other investment opportunities are also being progressed which would require the development of new facilities to take advantage of the location and newly developed quayside infrastructure. There is also interest from current anchor tenants who are seeking to realise growth in the port and relocate to larger facilities.
- 1.6 Offshore wind operators, especially in regards to Operations and Maintenance, are increasingly requiring the use of new generation service & operations vessels that are larger than the current fleet and require longer berths. They will also have a future requirement for alternative fuels and shore side power. Following shortlisting on these type of inward investment projects it was identified that to attract and win low carbon users from the offshore wind sector - who are looking to establish bases on the East coast - Bates Terminal is required to provide adequate working capacity and fuelling facilities at two berths.
- 1.7 The Bates Clean Energy scheme will achieve these requirements by
- Strengthening and enlarging Bates Quay by 45m to accommodate heavy lift cranes up to 1200t twin lift,
 - extend the marine fuels pipeline to Wimbourne Quay by 540m and
 - provide a heavy lift, electric crane to support loads up 100 tonnes for general lift capacity for everyday working.

- 1.8 This project will unlock the full potential of the terminal encouraging further investment to develop a unique low carbon 'clean energy terminal' providing jobs, renewable power and heating and electrification to support plant, equipment and vessels.
- 1.9 A full external green book appraisal has been undertaken which identified that the project has a strong fit with the Combined Authority's Vision and key priorities and also has a strategic fit with wider regional and national policy. The overall risk rating of the business case is green with the outstanding issues dealt with through the conditions of funding set out below.
- 1.10 NTCA Investment Panel considered the proposal on the 16th March 2021 and recommended to the Interim Head of Paid Service that funding of £2.2 million is agreed subject to the following conditions:
- 1) Commitment from the Port of Blyth Board of Commissioners to meet any cost overruns to the project.
 - 2) Confirmation of Match Funding by Port of Blyth Board Commissioners for £3.3 million plus a budget to cover cost risks arising from inflation, Covid 19 and Brexit.
 - 3) The applicant to provide updated cost information prior to starting works on site to the satisfaction of NTCA.
 - 4) Applicant to provide up to date state aid advice referencing the current UK Subsidy Regime to the satisfaction of NTCA
 - 5) Applicant to update the business case to reflect changes under appraisal and signed off by NTCA

2. Potential Impact on Objectives

- 2.1 Programme delivery as described in the report is consistent with the priorities set out in NTCA's vision and in line with Offshore Wind Sector Development Narrative agreed in April 2020.

3. Key Risks

- 3.1 The risks associated with this application have been mitigated through funding conditions set out in paragraph

4. Financial and Other Resources Implications

- 4.1 All funding provided will be capital. In line with our agreed claim process, grants will be paid at the agreed intervention rate quarterly in arrears and upon verification of costs. All funding is expected to be claimed by March 2023.

5. Legal Implications

- 5.1 The comments of the Interim Monitoring Officer are included in the report.

6. Equalities Implications

- 6.1 NTCA is committed to driving equality and diversity. The delivery of this proposal which will support the creation of jobs in the Offshore Wind sector and associated supply chain will help NTCA meet its duties under the Equality Act 2010, particularly around advancing equality of opportunity for those with protected characteristics.

7. Inclusive Economy Implications

- 7.1 The Inclusive Economy impact of the proposal was considered as part of the appraisal and NTCA are working with the project sponsor to strengthen the project ambition and active engagement with the target groups.

8. Climate Change Implications

8.1 This proposal will support the growing offshore wind sector and will also support the delivery of a Clean Energy Terminal offering enhanced facilities and the opportunity for low carbon focused investment and innovation. The Port has is also committed to a decarbonisation strategy for the site and the wider port involving electrification of plant (including a new 120 tonne capacity electric heavy lift crane) and low carbon energy initiatives for new and existing buildings. These include the potential for mine water sourced heating, latest technology solar power and a range of energy efficiency measures.

9. Consultation and Engagement

9.1 The project has been discussed at Technical Officers Group meeting, Investment Panel, at Officer level in NTCA, Northumberland County Council and the North East LEP. In addition, the project sponsor has undertaken engagement with relevant stakeholders.

10. Appendices

10.1 None

11. Background Papers

11.1 NTCA Delegated Decision Report 1st April 2020, Investment Fund Update, Part B: Energy, Green Growth and Climate Change – a North of Tyne Blueprint
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2020/09/20200401-InvestmentB-report.pdf>

12. Contact Officers

Maria Antoniou, Principal Economy & Strategy Manager, maria.antoniou@northoftyne-ca.gov.uk

13. Sign-off

1) Mayor and Portfolio holder Yes	2) Director/SMT Yes	3) Chief Finance Officer: Yes	4) Monitoring Officer: Yes	5) Head of Paid Service: Yes
--------------------------------------	------------------------	-------------------------------	----------------------------	------------------------------