Inverness & Cromarty Firth Green Freeport – Full Business Case – Annex D: Logic Model

Inputs

- **Tax site offer**: benefits on 3 tax sites (totalling around 520ha) designated in April 2024.
- **Seed capital offer**: £25m for key projects to de-risk development on tax sites.
- **Customs site offer**: simplified customs documentation and enhanced tariff arrangements.
- **Planning support**: Highland Council committed to support applicants through planning .
- **Other Government support**: FLOWMIS grant for Port of Cromarty Firth, SIM model, Green Industries Growth Accelerator (GIGA), Sustainable Industry Rewards, HPO for floating wind.
- Low returns on investment relative to other parts of the country. **Potential for Investment** in net zero, regeneration and levelling up to deliver more from a social outcome and development perspective.
- A **unique physical geography** with deep inland ports in the Cromarty Firth that are sheltered from the weather and in close proximity to key ScotWind and INTOG sites in the North Sea, with large land and wet storage capacity. **ICF locations** provide the best UK opportunity to create a world-leading **FLOW manufacturing hub**.
- **ICF locations** provide the ideal location for at **scale green hydrogen production** with significant potential to export to Northern Europe.
- **Working age population** in the region is expected to decrease by 10.4% by 2043, compared to +2.6% UK average. Part of negative cycle - below average GVA per worker, skills attainment and participation, leading to further population decline.
- **Retained Non-Domestic Rates offer**: 25-year revenue stream to support furthering the Green Freeport's objectives.
- Established **collaboration** which has successfully aligned diverse public and private sector stakeholders. **ICF consortium** has been working together for 5 years. It has now transitioned into a company limited by guarantee with a well established governance structure and has made key appointments e.g., a Chair and CEO. Strong alignment with existing local strategies (incl. Inverness City Region Deal and IMF LDP).

Activities

- **Tax benefits** have been targeted at sites where they can have a decisive impact on the investment viability challenge.
- A range of schemes identified for **investment of seed capital**, with public and private match funding and a focus on early delivery. Assurance via scheme FBCs by Accountable Body.
- **First customs site** at Nigg Energy Park authorised by HMRC. Interest received from other potential customs site operators.
- Sites **designated for expansion** in Local Development Plan. **Planning consents** already in place / under consideration at many sites. Joined-up, timely engagement with statutory agencies.
- **Significant development on Green Freeport sites** including new port facilities at Ardersier, Deephaven and Pitcalzean, and expansion at the Port of Inverness, Invergordon Service Base and Nigg Energy Park.
- **ICFGF Decarbonisation Strategy** developed for the FBC. Aim to achieve a Carbon Payback outcome by 2030 thereby underpinning a major contribution to national Net Zero targets which would have been limited without the intervention of the Green Freeport and its associated mechanisms.
- **ICFGF Ten Point Skills Plan** developed for the FBC outlining the initiatives the Green Freeport will fund/deliver and how the Green Freeport will access existing skills funding and align with relevant local and national strategies.
- **ICFGF Skills and Innovation Fund**, funded by employer contributions, administered by the PowerHouse arm of the Green Freeport Company to support regional skills initiatives (e.g. STEM outreach and commercial training) .
- **Tax Site Delivery Agreements** signed with all landowners setting out the obligations and rights of landowners in respect of managing development on tax sites and committing to outcomes. Includes signing up to the Green Freeport Fair Work Charter.
- **Investment Framework** further developed, with robust 'dual key' governance, establishing the approach to making investments from retained NDR funds. Further work on NDR estimates suggests a potential fund of over £500m over the 25 year retention period.
- **ICFGF Innovation Strategy** developed for the FBC to ensure that the Green Freeport maximises engagement with local and regional stakeholders whilst leveraging world class support for the rest of Scotland and the extensive innovation support network in the rest of the UK. Support partners access external innovation funding.
- **ICF Green Freeport Ltd** with public sector accountability, private sector input. Governance arrangements agreed, enhanced branding/marketing, PowerHouse skills/innovation vehicle already running. Resources and budget to fulfil requirements and meet objectives.

Outputs

TRADE & INVESTMENT

- Barriers to development on tax sites removed, bringing forward land remediation and critical enabling infrastructure. Over £3bn of new investment in tax sites in the next 5 years. Includes increased capacity at Invergordon Service Base, Port of Nigg and the Port of Inverness, expansion of the Inverness Campus site, new maritime facilities at Ardersier, Deephaven and Pitcalzean and training facilities at Aurora Energy.
- Regulatory burden lowered for business. Improved export opportunities.
- Step change in the export of clean fuels to meet growing demand in Northern Europe, including green hydrogen gas, liquid hydrogen, as well as hydrogen derivatives such as green ammonia and e-methanol.

NET ZERO

- At scale production of green hydrogen production capacity built in the Green Freeport, delivering clean, zero-emission fuel for industry (e.g. distilleries), as well as transportation (incl. rail, aviation and HGVs) and domestic heating. Key step in delivering a network of green hydrogen production, storage and distribution across the Highlands.
- Rapid build of at least 1.5GW pa of floating offshore wind output ~ 100 plus floating turbines pa deployed in the North Sea with UK content maximised.
- Cheaper, green electricity

JOBS & REGENERATION

- Delivery of a skills programme, coordinated by the PowerHouse, targeted at younger people, returners and the long-term unemployed in local communities. This is in conjunction with established providers like Job Centre Plus, the Nigg Skills Academy, and UHI colleges. Reinvestment of retained NDRs to support training and upskilling.
- Green Freeport Fair Work Charter, aligned with Scottish Government requirements.
- Year-round FLOW manufacturing to complement the seasonal installation period will help to deliver thousands of long-term and stable jobs in ICF, most of which will come from renewable energy, life sciences and marine technology.

INNOVATION

- Re-investment of retained NDR in key local innovation schemes, including through the Powerhouse.
- Co-location of FLOW manufacturing on Cromarty Firth and Ardersier promotes synergies and innovation necessary to maximise UK content and produce cheaper electricity. Early examples include mobile quay solution significantly increases the efficiency of FLOW assembly and maintenance and proposals to use low carbon concrete for FLOW substructures
- Enhanced 'Triple Helix' collaboration between business (incl. SMEs), academia and the public sector in life sciences and medical technology at the Inverness Campus.

Outcomes

- Large underdeveloped sites, including in Inverness, Ardersier and at various locations on the Cromarty Firth, are **brought into more productive use**, creating **economic growth and opportunities** for the Highlands region, Scotland and the wider UK.
- The Highlands becomes **a more attractive location for international trade**. **FLOW is a major trade and investment opportunity** for Scotland and the UK. A marine technology cluster at the Port of Inverness will enable increased exports to countries such as Spain, Canada and Costa Rica.
- Major investments in green hydrogen production and transportation will kickstart **a large export market** for this key energy, demonstrating Scotland and the UK's world-leading role in tackling climate change and helping other countries do the same. Delivers on Scottish Government's ambition to be leading exporter of green hydrogen to Europe
- **Decarbonisation of the oil and gas** industry through the INTOG programme supported by manufacturing and assembly of FLOW components in the Green Freeport tax sites and their hinterlands.
- An **integrated FLOW hub** on the Cromarty and Moray Firths, supported by seed capital funding and private investment made viable by tax measures, has the potential to reach 1.5 to 2 GW worth of output a year – delivering more than three 15-20MW turbines a week – **supporting the UK and Scottish Governments' renewable energy and energy security ambitions**.
- Significant **new manufacturing capacity** which will bring transformational employment effects with **new, long-term and stable jobs**, most of which are in sectors – renewable energy, life sciences, marine technology – with a higher GVA than the current regional average.
- **Local recruitment** will be prioritised to equip local workers with the knowledge and skills they need to give them the best chance of success, and hence these employment effects will help not just **halt forecast future working age population decline** (estimated at 10% over the next 20 years) but recover some of the ground lost in the past.
- The enhancements in economic activity will have a positive impact on the labour market, **shifting the economy to a positive working age population growth, opportunity and educational attainment cycle**.
- Green Freeport status will secure **world-leading capabilities in FLOW manufacturing**, including tower rolling; robotic blasting and coating; digital twin simulation; and electron beam welding
- Inverness becomes one of the first cities in the UK to **produce green hydrogen commercially**. The Cromarty Firth becomes a strategic refuelling location for hydrogen trains, HGVs and planes, as well as supporting domestic and commercial energy supplies and exports.
- New plots can be added to build on developments at the Inverness Campus **innovation centre**. Green Freeport interventions will enable Aurora Energy to offer the UK market a **bespoke blade repair training facility**.

Impacts

- **The Green Freeport becomes a national hub for trade and investment**
- **The Green Freeport plays a key role in decarbonisation and the transition to net zero**
- **Communities in the Highlands benefit from regeneration, high quality jobs and levelling up**
- **The Green Freeport fosters hotbeds of innovation**