

Inverness & Cromarty Firth Green Freeport

Full Business Case

20th November 2024



**Inverness &
Cromarty Firth
Green Freeport**

a free trade zone

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EXECUTIVE SUMMARY

Strategic Case

The UK and Scottish Governments have ambitious net zero, innovation, trade and investment, regeneration and levelling-up objectives which require large scale public intervention. This includes providing the support necessary to remove barriers to the creation of world class manufacturing hubs focused on achieving the net zero transition in a just and sustainable manner.

Inverness & Cromarty Firth Green Freeport (ICFGF) is the best place in the UK for the Governments to intervene to enable a world class floating offshore wind (FLOW) manufacturing agglomeration and to make the most of synergies with green hydrogen, maritime technologies and advanced manufacturing, by unlocking parallel, co-located investment in these sectors. This is because ICFGF is:

- the most advantageous place for these interventions from a UK net growth, productivity, energy security, decarbonisation and terms of trade perspective, and
- the location where investment delivers most from a social outcome, levelling up and regeneration perspective.

While the Highlands can be a fantastic place to live for those with the right opportunities, since the end of the oil boom, the local economy has not been creating enough of the right kind of opportunities and the region's young people have sought employment outside of the region. A Green Freeport here offers a unique mechanism for addressing the challenges that are currently holding the Highlands back and have resulted in years of working age population decline and a downward dependency spiral.

In response to this opportunity, the ICFGF programme has been painstakingly designed to deliver on the collective impact that Green Freeport measures can have for the region. The primary building blocks of this proposition include:

- Three tax sites, designated by legislation in April 2024 following approval of the Outline Business Case, totalling around 520 ha of land and comprised of:
 - 330 ha on the **Cromarty Firth**, where existing legacy facilities and expansion opportunities create the ideal conditions for FLOW manufacturing to deliver additional net national economic growth and jobs in areas of high deprivation, accelerating a just transition to net zero and improving energy security.
 - 150 ha at **Ardersier**, one of the largest unused brownfield sites in the UK, where the port will be restored and re-opened, providing facilities to support FLOW manufacturing with the potential to create thousands of jobs and reskilling opportunities for the local community, and support the energy transition in Scotland and around the world.
 - 40 ha in **Inverness**, designed to address a critical shortage of developable industrial land in the city, allowing its port to expand, a significant hydrogen scheme to come forward and the expansion of our innovation campus for SMEs in life sciences and advanced engineering.
- Deployment of £25m of **seed capital** where it will maximise the wider benefits of the Green Freeport package by de-risking and accelerating investment in critical pre-development works on tax sites.
- A plan for utilising the local retention of incremental net **non-domestic rates (NDR)** growth generated on Green Freeport tax sites, using a process that preserves both the public-private 'dual key' approach and democratic accountability for the expenditure of public funds. Net retained NDR are forecast to be worth almost £550m over the next 25 years and provide a huge opportunity to facilitate further investment in skills, infrastructure, decarbonisation initiatives and innovation.

- Engagement with prospective operators on the potential benefits of **customs site** status. A pipeline of potential sites has been developed, with Global Energy Group the first to use customs site status, at its now authorised site at the Port of Nigg.
- Significant and collaborative efforts to help developers navigate **planning** challenges, including via integration with the Council's Place Based Approach, dedicated up-front advice and work with statutory Key Agencies and other external stakeholders.
- A plan to harness the transformative and once-in-a-generation opportunity for the Highlands to be a global leader in **innovation**, with particular focus on offshore wind, hydrogen, maritime & port innovation and life sciences. This will be achieved by accessing expertise from the existing innovation ecosystem, from new entrants attracted to ICFGF sites, and coordinated by our PowerHouse function, which has been established to grow innovation capacity, co-ordinate innovation support and lead on skills development.
- A **Trade & Inward Investment Strategy**, to attract investment to the ICFGF and wider region. The strategy, which will have dedicated resources, will complement but not duplicate, support mechanisms already available by public sector agencies and departments. It will involve working in partnership with the UK and Scottish Governments, Highlands & Islands Enterprise and the Highland Council.
- A **Ten Point Plan for Skills** to ensure we fully realise the jobs and skills opportunity by addressing gaps in labour supply and mitigating the risks of employers experiencing skills shortages. National Insurance Contributions (NICS) relief will be partially reinvested into a Skills & Innovation Fund, the total size of which is expected to be around £15m over 7-10 years. A Green Freeport **Fair Work** Charter has been developed and all owners of tax site land will be required to adopt it.
- A **Decarbonisation Plan**, setting out how ICFGF can exploit opportunities to address the climate and ecological emergency to significantly accelerate sustainable economic growth whilst increasing local and national resilience. This includes a target to achieve a carbon payback outcome by 2035.

These actions and interventions represent a coordinated, deliverable strategy to realise ICFGF's key objectives: regeneration & high-quality job creation, decarbonisation & a just transition to a net zero economy, hubs for global trade & investment and an innovative environment.

They also support the delivery of two SMART targets that ICFGF has set for itself: the first around delivering the Government's UK 60% content target for at least 1 GW per annum of FLOW capacity (which, at 2022 prices, implies annual GVA of some £2bn p.a., with operations and maintenance activities on top), and the second relating to creating sufficient high quality long-term jobs to halt and then reverse the historic and forecast decline in the Highlands' working age population by the mid-2040s.

Finally, our plan builds on the Highlands' core strengths and address its challenges, both today and in the future, ensuring the benefits of a Green Freeport will be realised across the ICFGF geography and more widely across the Highlands, Scotland and the UK.

Economic Case

An economic impact assessment has been carried out on three options: Option 1 (No Green Freeport), Option 2 (Green Freeport but no seed capital) and Option 3 (Green Freeport plus £25m seed capital).

The Economic Case demonstrates that Option 3 offers best value for money at an acceptable level of affordability and risk. Under this option, £5.3bn of investment (in present value terms) could be delivered over a 25 year period.

Without a Green Freeport, depopulation would continue, there would be many fewer lower value-added jobs and many of these would be fulfilled by contractors rather than permanent staff. Green Freeport measures, including seed capital, makes growth much more inclusive, delivering many more permanent, higher value-added and higher income jobs.

The potential pipeline of development on tax sites over the next 25 years could result in the creation of 18,300 jobs for the UK, 11,300 of which would be in the Highlands. These figures focus on jobs created through the delivery of the proposed tax sites. With broader initiatives in the area connected with the growth in green energy (including via the reinvestment of net retained NDR), the levels of job creation could go further still.¹

Financial Case

Tax sites measures will be the primary driver of investment across the Green Freeport. Following extensive work with tax site landowners and potential developers, it is estimated that almost £6.5bn could be invested in core propositions on tax sites within the Green Freeport, with over £3.5bn over the next 5 years.

The £25m in Green Freeport seed capital funding will be deployed to support this, complemented by over £60m in further public funding and almost £175m in private sector funding, contributing to a total spend of around £260m on these specific projects.

For its part, ICFGF Ltd has developed a robust and cost-effective budget which reflects the activity needed to meet its objectives and the requirements of the UK and Scottish Governments. Prior to tax site designation, short term set-up phase support has been provided in the form of government capacity (RDEL) funding and contributions provided by consortium partners. Moving forward, mature term ongoing revenues will be sourced from levies from landowners via Tax Site Delivery Agreements (TSDAs), topped up where necessary by contributions from incremental net retained NDR.

The capacity (RDEL) funding from Government provides funding to resource the ICFGF team and, alongside the contributions being made by our consortium partners, is critical to help meet Setup Phase costs in the period prior to the receipt of the ongoing landowner levies and the build-up of retained NDR.

These arrangements will ensure that the Government's capacity funding is deployed in a prudent manner to meet genuine Green Freeport Company costs in the critical early years of operation. This will also help the Green Freeport protect its pool of net retained NDR so that it can be utilised for its primary purpose which is to fund programmes and initiatives such as regeneration, local skills, innovation, Net Zero, trade and investment as well as infrastructure upgrades.

Commercial Case

As most of the land within ICFGF tax sites is owned by private parties, a mechanism is required to:

- provide landowners, operators, end-users and investors with incentives and structures to deliver additional net growth and other outcomes in return for the tax benefits on offer, and
- give the UK and Scottish Governments confidence that a robust strategy is in place to ensure that public investment will realise the intended economic and social potential of the Green Freeport offer.

The first step was to design a tax site proposition that will avoid displacing investment from elsewhere by targeting propositions with clear evidence of net additional inward investment.

Going forward, 'Tax Site Delivery Agreements' (TSDAs) are the key mechanism for ensuring delivery of outcomes on tax sites. Through TSDAs, landowners have committed to using reasonable and commercial endeavours to ensure that their land is, as soon as reasonably possible, developed for uses that generate genuine additional economic activity.

TSDAs also include a mechanism for contributions by landowners to the Green Freeport Company to support its sustainable operation and wider supporting programmes (such as the Skills & Innovation Fund) also addressing potential value leakage. Finally, through TSDAs, landowners have signed up to our Fair Work and Net Zero & Sustainability Charters.

¹ These estimates include all operational jobs on tax sites, construction employment, their indirect supply chain impacts as well as the induced impacts from the spending of wages and salaries in the wider economy.

Management Case

Opportunity Cromarty Firth was established in March 2020 and initially operated as an informal partnership of public and private sector stakeholders working together to develop the proposal for ICFGF. Following the award of Green Freeport status in January 2023, it transitioned into an incorporated entity, responsible for the governance and management of the Green Freeport.

The Company's Board currently consists of representatives from the four key ports, a director nominated by Highland Council, a director nominated by Highland & Islands Enterprise, a director nominated by University of Highlands & Islands, plus an independent Chair and the Chief Executive. Following the submission of the FBC, the Board will grow to include three further directors. One of those three will be proposed by the wider Consortium group, now known as the Associate group.

The Highland Council fulfils the role of Accountable Body for ICFGF, meaning it is accountable to Government for the expenditure and management of centrally funded public money – including capacity (RDEL) funding, seed capital investments and retained NDR.

Our Chief Executive Officer is putting together a compact and dedicated team of five full time members of staff, with the potential for a further two roles in subsequent years. Amongst the many activities that this team will be responsible for are:

- stakeholder engagement and communication (including identifying key partners and continuing to develop key messages and branding for ICFGF),
- identifying, assessing, mitigating and managing risk, and
- complying with the UK and Scottish Governments' monitoring, evaluation, reporting and assurance requirements.

STRATEGIC CASE

1a. Strategic rationale

The economic rationale for public intervention

The UK and Scottish Governments have ambitious net zero, innovation, trade and investment, regeneration and levelling-up objectives which require large scale public intervention. This includes providing the public support necessary to remove barriers to the creation of world class manufacturing hubs focused on the new technology required for the net zero transition.

Inverness & Cromarty Firth Green Freeport (ICFGF) is the best place in the UK for the Governments to intervene to enable a world class floating offshore wind (FLOW) manufacturing agglomeration and to make the most of synergies with green hydrogen, maritime technologies and advanced manufacturing, by unlocking parallel, co-located investment in these sectors.

ICFGF is the best place for these complementary initiatives because it is both:

- i) the most advantageous place for these interventions from a UK net growth, productivity, energy security and terms of trade perspective. This reflects what the industry says about the location's unique economic geography, legacy assets, and the scale of the clustering opportunity it offers; and
- ii) the location where investment delivers most from a social outcome and regeneration perspective. This is because in ICFGF the high-quality employment opportunities created through the Green Freeport are large enough to halt the working age population decline forecast for this part of the Highlands, and thereby head-off the vicious spiral of reduced opportunity and rising dependency, which is often associated with such losses, and which is becoming apparent in local economic data.

To some extent, both of these features are a function of the region's economic and physical geography. In the 1970s, proximity to the North Sea oil fields and sheltered, deep waters made the Cromarty Firth the location of choice for oil platform manufacturing. This was the innovative technology of the day that unlocked North Sea oil, transformed the UK's terms of trade, and brought an influx of investment and people as well as much needed revenues to the Exchequer. 50 years later, these advantages of proximity and sheltered deep water also apply to FLOW, which is today's new critically important, but this time green, energy technology.

The oil platform building boom of the 1970s means that many of the physical building blocks required for FLOW manufacturing, operations and maintenance are already in place – as well as people with the right experience and skills. On the Cromarty Firth, the ports of Invergordon, Nigg and Deephaven are national strategic assets which, alongside the Port of Ardersier on the neighbouring Moray Firth, were at the heart of the oil platform manufacturing revolution and can be the launchpad for the 21st Century green equivalent. These locations are recognised by the offshore wind industry to be the best place for the UK to realise the opportunity offered by FLOW manufacturing, due to their close proximity to the North Sea leasing sites, their deep sheltered ports, unrivalled dry and wet storage, and sizeable stocks of suitable, developable waterside land.

However, whilst these legacy assets provide the best available starting point for FLOW, they fall a long way short of what is required to meet the UK's ambitions for Scottish offshore wind.

Innovative floating technology is required to generate wind power in waters more than 60 metres deep, and ultimately it is expected to account for 80% of the world's offshore wind generation. It is a critically important component of the UK's energy strategy, just as oil platforms were back in the 1970s.

The Energy Security Strategy (ESS) announced a UK ambition to deliver up to 50GW of offshore wind capacity by 2030, including up to 5GW of floating wind. The ScotWind leasing round and Innovation and Targeted Oil

and Gas (INTOG) programmes take this total to more than 20GW of FLOW by the early/mid 2030s. Most longer-term scenarios involve an acceleration of FLOW in the later 2030s and 2040s as sites suitable for fixed bottom technology become exhausted. The UK Government's March 2023 Offshore Wind Net Zero Investment Roadmap notes that there is some 20GW of FLOW capacity at pre-planning and more than 9GW in the pipeline immediately beyond that. In the longer term, the scenarios developed by the ORE Catapult Floating Offshore Wind Centre of Excellence for its infrastructure and supply chain study, found that extrapolating from the ESS and ScotWind ambitions pointed to as much as 75GW of FLOW by the 2050s, with some of this likely to be for export. At an estimated £3bn per GW, this is a total potential 30-year capex pipeline of more than £220bn at 2022 prices.²

Even before taking into account export opportunities, Scottish FLOW production could need to reach 2GW per annum in the 2030s.

When fixed bottom wind deployment started in earnest – the first Allocation Round (AR1) contract for difference (CfD) round was in 2015 - the UK did not have a competitive indigenous manufacturing offer and has taken a low market share as a result. The UK now has a significant opportunity to recover this lost ground. Green Freeport incentives and supporting programmes (including the Floating Offshore Wind Manufacturing Investment Scheme (FLOWMIS), the SOWEC Strategic Investment Model (SIM), and retained non-domestic rates (NDR)) can enable production of the new floating platforms in locations ideally suited to the task, and catalyse a cluster of economic activity to build up to a near full-service offering of the kind that hasn't proved possible with fixed bottom.

In recognition of the size of the prize in terms of UK growth, terms of trade, and ultimately energy costs and security, in the UK Offshore Wind Sector, industry committed to a voluntary target of 60% UK content in offshore wind manufacturing and operations. This is reflected in the Supply Chain Development Statement (SCDS) Outlooks produced by ScotWind developers.

A BVG Associates 2021 report for SOWEC put the starting point at less than 50% (including operations and maintenance), with the current content picture being a mix of high local content (80% plus) in development and operations, but very low in capex (some 12%). Based on the potential £220bn pipeline, every 10 percentage point gain improvement in the historic fixed bottom share of 12% (see BVG estimate above) could be worth £22bn.

Whilst ICFGF remains the best location for servicing this demand, doing so will require a very substantial expansion of existing facilities, further recommissioning and upgrading of former oil industry facilities, and, in all likelihood, the construction of new port capacity.

This is because FLOW manufacturing is very demanding in terms of both waterside land (the finished components are far too big and heavy to move by road) and specialised (heavily reinforced) quay space, especially for the floating substructures which sit at the heart of the new opportunity.

This means delivering on the FLOW opportunity requires:

- significant port expansion at the existing ports of Invergordon and Nigg,
- large scale new quay and laydown infrastructure at Ardersier (a former oil platform construction site),
- new marine infrastructure at Highland Deephaven (a former airfield), and
- additional capacity at Pitcalzean, next door to the Port of Nigg.

It also solidifies prospects for other ports in the region and the wider UK to participate in an expanded supply chain and take forward operating and installation roles. Furthermore, sufficient space needs to be made available to make the most of the synergies with green hydrogen and related manufacturing, together with key elements of their associated supply chains.

² UK Government's March 2023 Offshore Wind Roadmap identifies capex costs of £2.5bn to £3bn per GW at 2018 prices. The upper end of this range is expected to relate to FLOW, which at least initially is likely to involve higher costs per GW than fixed bottom.

Delivering on the FLOW opportunity in ICF also unlocks others, including through complementary investment in green hydrogen and related green fuels manufacturing, delivering a material contribution towards the target the UK Government has set for new hydrogen production of 10 GW by 2030, the Scottish Government's target of 5GW in the same period, and the UK's longer term requirement (the Hydrogen Champion's March 2023 report to the UK Government suggests that "by 2050, the UK will need between 250 and 460 TWh of hydrogen, delivering 20- 35% of the UK's final energy consumption.").

The second headline reason why ICFGF is the best place to intervene in the way proposed relates to the less positive side of the North Sea oil manufacturing legacy. The Highlands can be a fantastic place to live for those with the right opportunities, or for retirees bringing personal wealth with them, with higher levels of personal wellbeing and life satisfaction than the Scotland average. But this is far from the universal picture. The oil and gas manufacturing boom is long gone, and while other sectors, such as tourism, retail and hospitality, took its place, they have lower productivity per hour and are highly seasonal, and have suffered since the beginning of the COVID-19 pandemic. Job security and wages in these industries are low.

Growth industries that could offer more sustainable alternatives, for example life sciences, a sector which has expanded, also face constraints. While Inverness, the main conurbation in the region, has grown, and has benefited from programmes such as the Inverness City Region Deal, it faces a shortage of industrial land, with rents being pushed up to £2m per hectare, levels more usually associated with cities such as Greater Manchester.

Simply put, since the end of the oil boom, the local economy has not been creating enough of the right kind of opportunities and the region's young people have sought opportunities outside of the region. Between the 2011 and 2022 Censuses, the Highlands' working age population decreased by 3.7% - more than 5,500 people, whilst the population as a whole increased. This has left the area with a materially worse working age population ratio than Scotland as a whole.

The business-as-usual forecasts for the region for the next 20 years point to the negative working age population trend continuing, with this being forecast to fall by 10.4% (some 14,500 people) by the early 2040s. This raises the prospect of the region being caught in a damaging dependency spiral, under which low opportunity and declining working age population feed off each other.

Educational attainment and skills levels are already suffering with below average working age NVQ levels 3 and 4, and larger than average reported skills gaps. All this, together with the sector challenges discussed above, feed through into below average GVA per hour worked (£33.20 compared to £34.40 for Scotland as a whole and £35.20 for the UK), which in turn leads to below average wages for those in work. Low opportunity is also reflected in a lower economic activity rate for 16 to 64-year-olds, which at 75.6% is below the Scottish (76.2%) and UK (78.2%) averages.

Only interventions of the scale of those possible through the Green Freeport can halt this downward dependency spiral.

SMART targets

The 2020 revisions to the Government's Green Book appraisal guidance provide a central role for SMART targets for public investment in terms of meeting Government objectives, with the first task of appraisal (and thus intervention design) being to identify the options that best deliver those SMART targets.

For ICFGF, two SMART targets have played a particularly important role in designing our proposition, for example in critical decisions on the location and size of tax sites, the allocation of seed capital, and emerging plans for supporting programmes, including to support the mission-critical skills agenda.

One of these SMART targets is at the UK level, one regional:

- The UK SMART target reflects delivering the 60% UK offshore wind content target for at least 1GW of production a year by the mid-2030s. (Note the BVG UK content analysis discussed above suggests that for offshore production in Scotland, the Scottish and UK shares are synonymous – i.e. X% UK content implies X% in Scotland and vice versa.)

- The regional SMART target reflects the scale and nature of the new, employment opportunities that need to be provided, and by when, to halt the forecast decline in working age population. Analysis for this OBC suggests the Highlands' working age population may fall by a further c. 14,500 by the mid-2040s, on top of a fall of just over 5,000 since the 2011 Census. Against this background we have set ourselves a stretching SMART target of returning to 2011 levels of working age population by the early 2040s. An improvement of some 20,000 people of working age will require some 15,000 new FTE jobs.³ This target implies we would likely need to halt the current decline in working age population by the end of this decade and raise the total back to the level of the 2011 Census by the mid-2040s.

Why a Green Freeport is the correct response

As part of the UK and Scottish Governments' wider commitment to deliver lasting prosperity, Green Freeports offer a unique mechanism for addressing the sort of market failures that are currently holding the Highlands back and have resulted in years of working age population decline.

Firstly, £25m of seed capital will help to unlock development, enabling investors to prepare key strategic sites to attract new high-value manufacturing, creating lasting employment opportunities. Seed capital funding will be deployed across our tax sites to address early set up and enabling costs which can have a disproportionate impact on viability because they come a long way ahead of customer commitments.

Taxation measures on tax sites will then be the primary enabler of investment. Discussions with potential developers and end users of ICFGF sites, and indeed investment decisions have been made since the designation of tax sites in April 2024, have shown that the promise of Green Freeport measures has generated real value to the Highlands in terms of the signal it sends to customers and financial backers about investment viability and wider government support. Evidence from English Freeports is that many inward investors view Freeport tax sites as the only viable option for their developments, and we are seeing this already with development activity commencing after tax site designation on land at Pitcalzean and Ardersier.

This impact has been especially significant for offshore wind manufacturing, where the UK is seeking to overturn the advantages overseas manufacturers have amassed through Government support, sunk costs, accumulated economies of scale and extensive experience.

Our dialogue with the industry is, however, making it clear that the current approach to CfD auctions is compounding the challenge of delivering this ambition, with strike prices being capped too low, and market confidence has taken a serious knock following the disappointing outcome of the AR5 CfD round, where no applications for offshore wind were received. This is undermining market confidence amongst those who will need to invest in new capacity if the UK is to recover ground lost on fixed bottom wind. The industry is now telling us that interventions such as the Green Freeport are required to address this market failure and return the industry to the right trajectory.

To achieve the kind of increases in UK content that the arrival of FLOW potentially offers, the right support will be required in the right places. As the UK Government's consultation on the Floating Offshore Wind Manufacturing Investment Scheme (FLOWMIS) makes clear, the UK's ambitions for FLOW mean it "needs port facilities combining a substantial depth of water with the heavy-lift capacity and the extensive quayside space needed to deliver on these ambitions at the scale of deployment required" including by "enabling the serial fabrication, marshalling, assembly, and transport of floating offshore wind turbines, particularly for foundations that could each weigh thousands of tonnes and require significant space".

In combination with interventions like FLOWMIS, the SOWEC SIM initiative, and in the context of progress in resolving the CfD challenge and more generally providing the market with confidence on the FLOW pipeline,

³ This is based on the assumption (drawing on analysis during the bid) that the region supports roughly 0.75 FTE jobs for every person of working age (16-64). It also includes an allowance for an improvement in economic participation rates, which increases the number of jobs needed to create to change the working age population by a given amount,

tax measures associated with a Green Freeport are the right intervention to enable the investment in these critical port facilities on the Cromarty and Moray Firths to be delivered.

Innovation will flourish through FLOW and hydrogen agglomeration, drawing on around 520 hectares of ideally located tax site land and associated port infrastructure with multiple parallel production lines under multiple ownerships, producing different FLOW components for storage, marshalling and assembly within the cluster before deployment. The co-location of this activity will produce Wright's Law type effects, under which cumulative at-scale production of new technologies feeds through to knowledge transfer and increased capabilities, leading to a more innovative, globally competitive sector. Even a 10% efficiency gain in FLOW manufacturing is worth £0.3bn per GW, which – using the long term 75GW scenario – could mean more than £20bn by 2050 at 2022 prices, with the savings flowing through UK supply chains, increasing the returns to both capital and labour across the UK economy.

The effect of tax measures on investment viability is transformational, with an impact on post tax profits equivalent to 20% or more of capital grant towards manufacturing set up costs.

Customs sites will provide incremental benefits to FLOW manufacturing, given the need to import materials and store part-finished structures and components in preparation for the seasonal deployment window.

Tax site benefits will accelerate the delivery of large-scale green hydrogen and related clusters of green fuel manufacturing plants, where the high plant and machinery content of capital costs means the capital grant equivalent value can be as much as 30%. Alongside support through the new Hydrogen Business Model, increases in the supply of green energy from offshore wind, plus benefits anticipated from Green Freeport customs sites, this will support a step change in green hydrogen production and use. This creates power that can easily be stored, moved around the country, and exported. It helps address constraints on the grid and the high costs to connect to it, and helps decarbonise sectors such as heat, transport and industry that are challenging to electrify. It will also further Scotland's ambitions to become a net exporter of clean energy.

The remaining tax site land, which is not targeted at the FLOW and hydrogen opportunities, will, together with our supporting innovation programmes, enable the region's specialisms to be expanded, and existing clusters in high value sectors to be strengthened. Net retained NDR will provide a stable and long-term revenue source to help fill any gaps and meet the specific requirements of local people and communities.

At the Port of Inverness, the impact on post tax returns is sufficient to unlock private investment in new port capacity, including for servicing developments in onshore renewables and the expansion of a marine technology firm into new export markets. The Port is a major economic hub in the Highlands providing a vital gateway for companies to export and import a wide variety of goods, and it has been at the heart of the city's growth and expansion. It is one of Scotland's most sheltered natural deep-water ports and as a result it can offer ships almost guaranteed access irrespective of the weather. Public intervention via tax site status will help make viable the capital costs associated with constructing a new quay and associated land via the Harbour Gait reclamation project. Several companies have expressed an interest in locating on this new land to expand their activities, employ more staff and manufacture/sell/export at a greater volume and pace than is currently possible. The case for doing so will be improved thanks to the existence of tax measures such as NDR relief and NICs exemptions. In addition, the new land will also offer attractive prospects to those companies engaged in onshore renewable energy projects as quality industrial land is also at a premium for these projects. The proposed shipbuilding facility at Citadel Quay will be a step change in that sector for Inverness, where boat repair is already present on a smaller scale, increasing employment and value added.

Within the same tax site, the impact on returns will be sufficient to expand the life sciences, digital healthcare and technology hub, the Inverness Campus, for SMEs and start-ups that will benefit from NDR relief more than accelerated capital allowances.

What would happen in the absence of intervention

Without the specific interventions on offer through the Green Freeport programme, or some alternative set of equally powerful interventions, experience with fixed bottom offshore wind suggests that the UK will fall well short of its UK content ambitions, with every 10 percentage points below the target translating into potentially £22bn of lost UK content (and thus additional capital imports, increased CO2 emission, and lower Scottish and UK Exchequer revenues) by the 2050s, drawing on the same 75GW pipeline estimate mentioned above.

In the absence of a comparable alternative intervention within the ICFGF area, it is also hard to see how the region avoids the forecast 10.4% fall in the working age population and the associated dependency spiral this foreshadows. Research by Highlands & Islands Enterprise suggests that over 2,500 leave the Highlands every year for higher education, and that 47% of residents are of the view that people are leaving because they cannot find a job.⁴

The region's challenges in terms of low wages, population decline, and seasonality of employment have been long understood – it is why Highlands & Islands Enterprise and its predecessor, the Highlands & Islands Development Board, were created to provide social and economic stimulus. But what has been lacking is an opportunity of sufficient scale to set the region on a new path. The establishment of a FLOW agglomeration of the expected scale and breadth provides this. But it needs the required level of support.

The loss of the intervention would also mean forgoing the synergies with green hydrogen production and the wider agglomeration benefits of the ICFGF FLOW manufacturing cluster. It would also undermine the region's ability to support the Government's net zero and energy security ambitions, reflecting the unique strategic response the Green Freeport offers in terms of coordinating key sites and initiatives that are so critical to a successful and equitable transition.

Strategic interdependences

Green Freeport tax, customs, and seed capital measures are not sufficient on their own to deliver the SMART targets identified above. Doing so will rely on the following strategic dependencies:

- Finalisation of FLOWMIS funding for the Port of Cromarty Firth, and engagement around further grant support for the up-front infrastructure costs associated with the expanded facilities needed to reach the UK content target. These up-front enabling costs need to be met early in the commercial cycle, largely before manufacturers have committed to invest on a site. While tax breaks increase the returns of those who invest up-front should those manufacturer commitments ultimately be made, they will not mitigate the losses made if they do not. In practice, this means that a mix of up-front grant and downstream tax reliefs will be required, and the £25m of Green Freeport seed capital is not sufficient on its own given the scale of the up-front investment needed, if UK content ambitions are to be realised.
- Accelerated investment in the electricity grid, which is essential for increasing capacity and resilience, and for enabling the FLOW and other renewable opportunities.
- Continued support from the UK and Scottish Governments to secure the completion of the Setup Phase for ICFGF, including:
 - FBC approval by September 2024 and agreement of Memorandum of Understanding by November 2024,
 - timely release of capacity funding and seed capital,
 - clarity on obligations and considerations around subsidy control, and
 - clarity on the monitoring, evaluation and reporting requirements for Green Freeports.

⁴ HIE Young Peoples Survey and <https://www.hie.co.uk/research-and-reports/our-reports/2022/october/13/myliferesearch/>

- Active support from the UK and Scottish Governments, through dedicated resources, in the marketing and promotion of opportunities in ICFGF, working alongside existing support provided via Highland & Island Enterprise, and to address resource constraints at Marine Scotland which risk ICFGF delivery timelines.
- Work with the Scottish Government on designing and implementing appropriate planning and licensing frameworks to deliver the scale and pace of development required to meet our ambitions.
- Support from the UK and Scottish Governments in the coordination of additional central funding streams that could support the Green Freeport's propositions, including:
 - completion of the investment programme in the Inverness City Region Deal within the agreed timescales,
 - joint initiatives that could draw on match funding from net retained NDR flowing through the Green Freeport, local and devolved funding, and contributions from the private sector,
 - match funding for innovation activities as part of establishing our FLOW agglomeration, and
 - support to address resource constraints in delivering local planning approvals.
- Early adoption of the recommendations of the Offshore Wind Champion's (Tim Pick) Report to UK Government, including fit- for purpose CfD auctions and consenting processes.
- Further development of the SOWEC SIM initiative as a mechanism that could act as a multiplier on Green Freeport benefits in terms of the impact on private investment in FLOW.
- Supporting transport, digital, utility, health, housing and social capacity investment, including to address the population impacts our proposals are designed to unlock.
- Support for fuel switching and related innovation programmes, to realise the enhanced buying power of combined propositions to address viability barriers.

1b. Strategic focus

This section provides an overview of the primary sectors and markets the Green Freeport will target and how this strategic focus will most effectively realise the policy objectives and strengthen the competitiveness of the region, Scotland and the UK. This has been developed in collaboration with the UK and Scottish Governments, landowners and regional stakeholders.

Floating offshore wind (FLOW)

The scale of the latest offshore wind leasing rounds in Scotland, (30GW for ScotWind and 5.4GW for INTOG (Innovation and Targeted Oil and Gas)), has created one of the largest offshore wind pipelines in the world, as set out in the table below.

Table 1: Scottish offshore wind pipeline

Leasing round	Fixed bottom	Floating wind	Total
Current	6GW	0.1GW	6.1GW
ScotWind	11GW	19GW	30GW
INTOG	0GW	5.4GW	5.4GW
Total	17GW	24.5GW	41.5GW

Source: Offshore Wind Scotland

Over 70% of these projects will utilise floating, rather than fixed bottom, technology, some of the first and largest commercial projects of this type in the world. This will make Scotland and the UK one of the largest global markets for FLOW, one which has already attracted worldwide interest from project developers and an emerging supply chain.

However, as an emerging technology, there is no existing supply chain for FLOW globally, which offers Scotland, and indeed the UK, a first-mover opportunity to set up serial manufacturing for not only its domestic market but with an export opportunity into other European markets.

A suite of industry and independent research, such as the SOWEC Strategic Investment Assessment, has identified the Cromarty Firth as the most suitable location for fabrication and manufacturing of FLOW components in Scotland while also having key additional benefits of wet storage and proximity to ScotWind sites, which for some components in the supply chain is crucial to reducing the levelized cost of energy and therefore costs, making the UK more competitive. The key strength of the Cromarty Firth Tax site is its existing world-class facilities, including laydown areas, quayside, and water depth, as well as a proven track record of delivering large and pioneering offshore projects. These include, but are not limited to, the marshalling and load out for the Beatrice, Moray East, SeaGreen and Moray West offshore wind farms.

The tax site at Ardersier was identified in the same assessment as drastically increasing the available land if the required investment was available, which is now partially in place, enabling the site to join this FLOW cluster.

Given the volume of near-term FLOW projects, this cluster within the Green Freeport can become world leading in the sector.

However, while the success of the ScotWind and INTOG leasing rounds are undoubtedly a key opportunity for the region, the scale of the ambition has led to a recognition of the potential weakness in the available infrastructure to deploy offshore wind at the rate required UK wide. In order to secure the manufacturing opportunity and first mover advantage the required infrastructure investment must happen at pace.

It is estimated that, to achieve the necessary deployment rate to meet ScotWind targets, investment of £1bn is required into port infrastructure and £450-£750m in manufacturing facilities.³ This would allow 142 units or 2.5GW annually to be deployed.

The UK's experience with fixed bottom wind, where the country was on the receiving end of early-mover advantages secured by overseas suppliers, shows how important this can be.

However, maximising the UK content opportunity means looking beyond the lowest hanging fruit, it means harnessing the cumulative, wider clustering effects that come from parallel, at scale, serial production and critical shared facilities that only ICFGF can provide. Green Freeport status, together with parallel programmes including FLOWMIS and SIM, can address the barriers to delivery. The incentives on offer will unlock investment in both port infrastructure and manufacturing capacity by making the region a competitive place to do business. The table below highlights ICFGF main competitors:

Table 2: FLOW competitors

Domestic competitors	International competitors
Forth Green Freeport - The Forth Green Freeport is in close proximity to some ScotWind sites which could make it an attractive location for Developers of those sites. Port of Leith has prior experience as a logistics base for Offshore Wind and is gaining experience as a marshalling base. Where it has the potential to be competitive is in the level of financial capital available to develop the infrastructure. Being more densely populated the area has a larger workforce to draw on however may lack the experience of the ICFGF region. Celtic Freeport – Port Talbot has the necessary physical attributes to be competitive in the	Esbjerg (Denmark) – Most probably the largest competitor to ICFGF in Europe. It is the world's first dedicated offshore wind port specialising in pre-assembly and O&M. It already has well developed infrastructure in laydown areas, water depth and berth lengths, however not in the same combination and scale as ICFGF. Its experience in the sector has enabled a workforce specialising in offshore wind to be developed which it exports to other EU countries and the UK. This is bolstered by agreements to develop 65GW of offshore wind with Belgium, Denmark, Germany and the Netherlands. Cuxhaven (Germany) Pre-existing infrastructure including a heavy duty platform for installation terminals along with large scale storage areas make this port competitive in onshore and quayside activities. Extensive support from the German Government gives the port potential for future investment.

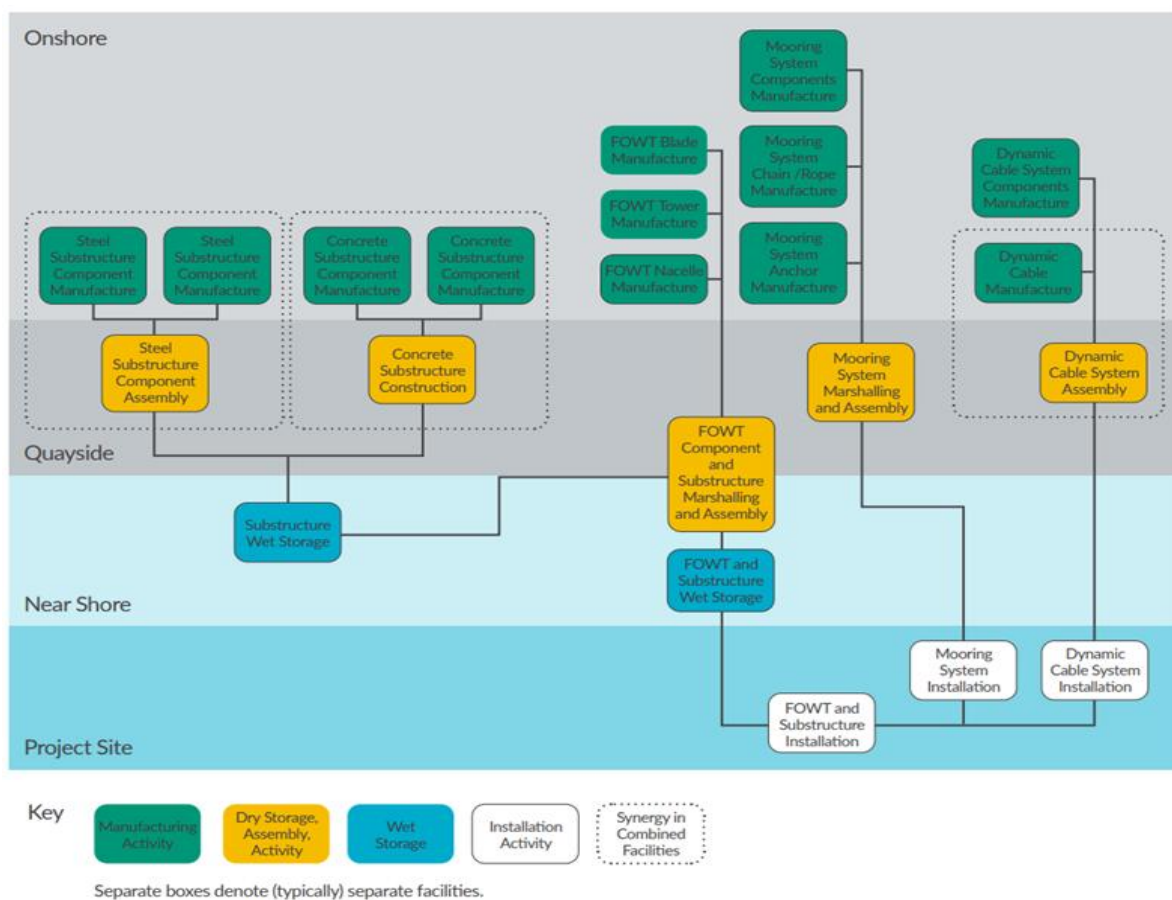
FLOW market in future Scotwind and INTOG rounds however it would require investment to develop the onshore and quayside assets. It currently does not have the required industry presence.	Ulsan (South Korea) South Korea has extensive manufacturing capabilities making it a competitor for ICFGF sites that want to engage in manufacturing. It has received extensive private sector investment and has 11.9 GW currently in development. It has also developed a highly skilled workforce in the sector. Jiangsu (China) As with South Korea this ports competition comes in the form of manufacturing particularly in nacelles production.

The connection between port infrastructure and manufacturing capacity is demonstrated through the Sumitomo proposed investment, close to the Port of Nigg and in the Cromarty Firth tax site. This £350m investment will result in the manufacture of high voltage direct current cables for use by offshore wind farms and interconnectors for both the UK domestic market and for export. This in turn will help unlock development and expansion at the Port of Nigg to facilitate the deployment of the cables and other propositions too. This investment was not commercially viable without the tax site offer.

While substructures are expected to account for some 40% of FLOW capex (more than £1bn per GW), there are plenty of other areas of the supply chain to target. This can be achieved by drawing on the synergies of colocation with globally significant substructure manufacturing, marshalling, final assembly, deployment and operations, together with Green Freeport benefits, to address competitive disadvantages in the construction of non-FLOW specific components.

A FLOW structure contains a number of separate components and activities which take place either onshore, at quayside, near shore or offshore. Some of these activities create synergies when they take place in close proximity to each other.

Figure 1: FLOW activities



The ICFGF proposition is explicitly designed to create this sort of agglomeration to promote UK content, improve energy security, accelerate the fair transition to net zero and to reverse our region's working age

population decline. Our proposals are designed to deliver economies of scale and scope via multiple parallel productions lines across multiple ownerships but with critical shared facilities like wet storage.

The tax benefits will result in the port operators and manufacturers being able to lower their costs to internationally competitive rates, where competition overseas does exist. For example, it is estimated that the domestic cost of UK and European steel fabrication would need to be effectively reduced by 10-15% at least, potentially 20% in the Far East, to enable international competitiveness in manufacturing and assembly of these products.⁴ Green Freeport status will now make this a reality and unlock the investment required to make the UK a competitive global player in the sector.

The Department for Business and Trade's (DBT) High Potential Opportunity (HPO) for the region has identified key export opportunities in substructure fabrication (steel and concrete), mooring systems, cables and substations. Having early mover advantage as an exporter of FLOW components will be crucial, as other export markets (France, Poland, Ireland, South Korea and USA) are at an earlier stage of their supply chain development than the UK.

We are not aware of anywhere in Europe that will compare to what ICFGF, once fully implemented, can offer. In terms of international competitors, evidence shows that in Europe the infrastructure requirements to deliver on these sub-sectors do not exist in the required combination of water depth, key length and yard size, not to mention proximity to the lease sites for ScotWind and INTOG.⁵

Strengthening and growing the FLOW sector in the UK clearly delivers on the net zero policy objective of the Green Freeports programme. Without the infrastructure identified, it is possible ScotWind will not be delivered. This would be detrimental to not just the economy but also energy security, our ability to tackle climate change and long-term energy costs.

FLOW is also central to ICFGF's innovation strategy, not least because FLOW is itself an innovative technology, but also because the agglomeration proposition will promote productivity, and competitiveness to the level where ICFGF and its associated supply chains can be self-sustaining.

We know our strategy is deliverable because we have been here before in the oil and gas sector. Between Nigg, Ardersier and Kishorn there were almost 10,000 employees on-site in the 1980s and 90s, with many more elsewhere and in supply chains. With that boom gone, our recent history is one of declining working age population. Turning this around is a core part of our strategy and why our supporting programmes are so critical.

Full implementation of our proposition involves looking beyond tax and customs sites to the wider supply chain and in particular to a fit-for-purpose workforce and skills strategy. This will require the deployment of net retained NDR and National Insurance Contributions (NICs) savings received by employers on tax sites for skills and education programmes as soon as they are received, and recognising that elements of this supporting programme cannot wait until the first retained NDR flow, which based on English precedent could be three years in. This is why reimbursement of the costs of NDR relief is so critical.

NICs savings paid by employers into the Skills Fund managed by the Green Freeport Company will help target early skills and talent retention initiatives, with total funds expected to be invested for this purpose expected to be up to around £15m. The criticality of early years supporting programmes is also one of the reasons why a landowner levy structure is built into Tax Site Delivery Agreements, so that the Green Freeport Company operating costs are covered, allowing NDR revenues to support these programmes.

FLOW based employment in the Highland region will play a key role in helping to level up the region and avoid the damaging working age population/low opportunity spiral. This is particularly important for the ICFGF areas in the bottom decile of multiple deprivation in Scotland, such as in Invergordon and Alness. Not only are these locations on the doorstep of our largest FLOW tax site, but they will also benefit from the targeted supporting skills and education programmes, part funded through net retained NDR.

Green hydrogen

Scotland has an ambition to produce 5GW of hydrogen by 2030, representing a sixth of Scotland's energy needs. By 2045, the ambition is to produce 25GW of hydrogen. The UK Government ambition is to produce 10GW of hydrogen by 2030. Hydrogen will play a role in the decarbonisation of various sectors within the UK such as transport (including shipping), distilleries, cement production and steel production, which are challenging and expensive to electrify. The characteristics of the Highland geography mean there are long travel times and the cost of energy is high, leading to higher than average fuel poverty. Hydrogen can be a mitigating solution to these issues.

However, the opportunity from hydrogen goes beyond domestic decarbonisation and into exports to meet the demand overseas. The EU has set ambitious targets for hydrogen use and will be a net importer, as demonstrated by Germany and the Netherlands' investment in import facilities. The estimated import requirement for the EU is 5GW by 2030. ICFGF is ideally placed to meet the demand of these markets, which are estimated to be worth £17bn. Competition for the hydrogen market does exist with the main competitors to ICFGF summarised in the table below.

Table 3: Hydrogen competitors

Domestic Competitors	International Competitors
Forth Green Freeport – Proximity to offshore wind sites make the use of renewable power for production a possibility as with ICFGF. Government has awarded funding to a consortium of 4 Scottish Renewable and maritime companies to develop solutions to reducing carbon emissions from vessels in port. Humber Freeport – The hydrogen project H2H Saltend has received backing from 6 large businesses to support development and commercialisation of hydrogen to reduce industrial emissions.	North Sea Port (Belgium and Netherlands) – The 60km long port is developing a North Sea hydrogen hub that will be operational in 2026 providing the entire port with hydrogen connections. This will offer future export potential to meet Europe's needs. Port of Ostend (Belgium) – private investment to the port has provided the capital to develop and commission hydrogen production onsite by 2025.

The region's volume of renewable energy production and proximity to key sources of energy means there are opportunities to capitalise both onshore and offshore where there is excess capacity. There are advanced opportunities for at-scale hydrogen facilities within the Inverness and Cromarty Firth tax sites, further detail of which can be found in section 1ci2.

The opportunity ICFGF will target in Green Hydrogen is in production, conversion and transportation. The Deephaven site in the Cromarty Firth tax site and the Longman site in the Inverness tax site are ideally suited to hydrogen production and conversion facilities. Deephaven has the added advantage of deepwater access for transportation.

For production, electrolyzers, compressors and liquefaction facilities will be required. It is recognised that the CAPEX for these facilities is large however private sector interest to date suggests large scale production is a realistic sub sector to target.

ICFGF has built up a wide consortium of wider regional and international partners operating in the energy sector, and they established the North of Scotland Hydrogen Working Group during the bid phase. This working group will continue to enable partnerships to be formed to take forward and deliver on hydrogen projects.

Industry and academic partnerships will be formed through ICFGF's PowerHouse to encourage businesses within the Green Freeport to become early triallists and adopters of innovative technologies developed with academia. This has already occurred with St Andrews University in a Department of Transport Clean Maritime research project. It will be expanded through a proposed test facility in the waters of the Cromarty Firth, delivered by the PowerHouse.

Hydrogen production requires a high or very high skill level and not all those skills will be available in the Green Freeport region. Skills provision and training will be required, and this will be addressed through the retained NICs using the same approach as for the FLOW sector. Opportunities that we will look to harness include attracting a highly skilled workforce from the Dounreay Power Station, as the decommissioning of the facility nears completion, with skills applicable to a range of sectors.

Critical to our ideal build out of hydrogen facilities is the timely provision of grid connections at each stage. Indeed, this is identified as a key dependency in section 1(a) above.

Life sciences

Life sciences has been identified by both UK and Scottish Governments as a sector with high potential for exports and inward investment. It is a key part of the innovation ambition for the UK. In 2021 the sector attracted £1.9bn of inward investment, behind only the USA. £24.2bn of goods were exported in the same year.

The Scottish Government Life Sciences Sector Export plan highlights four key sectors for growth: pharmaceuticals, medical devices, digital health and animal health, aquaculture and agritech (AAA). Of these four, ICFGF will focus on all except pharmaceuticals. The Scottish Government Life Sciences Export Plan identifies the key markets as the USA for medical technology and Europe and Asia Pacific for AAA. Domestic and international competitors in Life Sciences are highlighted in the table below.

Table 4: Life sciences competitors

Domestic competition	International competition
Medical Devices and Digital Health in Birmingham & West Midlands – This area contains significant private sector diagnostics presence in the region (e.g. Binding Site, Alliance Medical, Alta Bioscience) with significant export revenues. The region has leading research in Life Sciences with a focus on Digital Health and Medical Devices and dedicated university resources developing the area's specific niches, such as the Birmingham Health Innovation Campus. The West Midlands' life science cluster has received direct government support in the form of Birmingham Health Innovation Campus's designation as a Life Sciences Opportunity Zone. AgriTech, Animal Health and Aquaculture (AAA), Medical Devices, Digital Health in Edinburgh & the Lothians - Home to various world-leading institutions within AAA, including the Moredun Research Institute, the University of Edinburgh's Royal School of Veterinary Sciences and a recently developed dedicated agri-tech campus (Easter Bush). The area has a broad-based life sciences cluster, also encompassing digital health and medical devices including Charles River (Ormiston, Pharma testing services) and Valneva (Livingston, vaccines manufacture)	Aquaculture in Rogaland & Vestland (Norway) - Very fertile start-up culture, with a large number of emerging companies in sensor and measurement technology and aquaculture management software, with significant private sector backing. There is extensive education infrastructure for ensuring a steady stream of graduate talent and innovation, with more than 14 vocational schools offering apprenticeships in the sector, including for those without qualifications. Innovation Norway is a highly active government agency in promoting innovation in this sector through start-up financing, with more than 80% of start-ups having received funding from them in the past five years (Norwegian Agriculture Analysis, 2022). Medical Devices and Digital Health in Berlin (Germany) - Berlin is home to more than 350 companies and 40 research institutes within medical technology, medical devices and diagnostics. There is an estimated 31,600 life science employees, with a significant STEM graduate pool to draw upon from the large number of local universities. The German Federal Government has identified "personalised medicine" as one of six growth sectors for further financing and government backing as part of its "High Tech Strategy".

The Inverness tax site, specifically Inverness Campus, will focus on attracting further Life Sciences investment to the region. Building on the successful phase 1, phase 2 of the campus will look to develop serviced plots for sale to Life Sciences inward investors. Inverness has an existing anchor organisation in Lifescan which will

support a clustering effect around the medical devices sub-sector , potentially in devices related to the in-vitro diagnostics that Lifescan specialise in such as point of care testing and digital diagnostics.

Proximity to the main medical hub for the Highland region at Raigmore Hospital creates opportunities to target businesses looking for collaborative opportunities to develop technology in digital health. The rural and remote nature of the region presents opportunities for trialling technology in remote patient monitoring and wellness and symptom tracking.

The Inverness Campus and wider Highland region has developed a thriving Agri-tech, Animal Health and Aquaculture (A) sector with investment at the Inverness Campus from the Scottish Rural College (SRUC), among others, now based there. With SRUC as an anchor tenant Animal Health and Agri-tech sub sectors such as crop productivity, sensors and data science and Animal Feed/Nutrition businesses will be attracted to the site.

Marine technology

All ports within ICFGF will focus on using marine technology to innovate how they operate (using AI and autonomous systems for example).

Furthermore, the Green Freeport has a world leader in marine technology for aquaculture and adjacent sectors as a potential anchor tenant at Inverness Harbour, within the Inverness tax site. Gael Force Group has been trading for 40 years and has operations globally, including in Canada and Gran Canaria. The company is a leading supplier of equipment, technology and services for the aquaculture sector. Green Freeport status will allow the company to expand its export activity and enter new markets in the barge and technology construction sector. This will be enabled by Port of Inverness expanding the commercial land available at the ports, benefitting from Green Freeport seed capital investment and tax measures. Competition to the sector is primarily international with two sites summarised in the table below.

Table 5: Marine technology competitors

Domestic competition	International competition
Port of Hamburg (Germany) – The port is home to the Centre of Maritime Technologies, which conducts R&D on logistics, new materials, ship concepts and alternative energy sources. Hamburg’s University of Technology also has an Institute of Marine Logistics	Rogaland, Vestland & MARINTEK (Norway) - Fertile start-up culture, with a large number of emerging companies in sensor and measurement technology and aquaculture management software, with significant private sector backing. The Norwegian Marine Technology Research Institute (MARINTEK) performs research and development for companies in the field of marine technology.

This sector is primarily focused around the Port of Inverness with Gael Force as an anchor tenant. The physical infrastructure needs of the aquaculture sector will be the main sub sectors targeted. This will include the manufacturing and maintenance for vessels used in aquaculture as well as mooring systems and cages.

Port services and other renewables

It is likely that the investment in port infrastructure will allow tax sites to be used by other sectors in renewables deployment. Investment in port infrastructure will accommodate expanded onshore renewables support, with a number of onshore wind bids in AR5 likely to use the Port of Inverness. Here, freight requirements for the pumped storage projects proposed for Great Glen (over 2.5GW) will be decarbonised by the reintroduction of barge freight on the Caledonian Canal.

Scotland is a world leader in the development and deployment of tidal energy technologies, with a number of successful bids in AR5. Various tidal technology solutions have been developed on ICFGF tax sites in the past, with further opportunities in the future. Following designation of the ICFGF tax sites Orbital Marine have announced Global Energy Group at the Port of Nigg as their preferred manufacturing partner.

The ports within the Green Freeport also have a large part to play in the ongoing operations and maintenance of offshore renewables, which will provide long term employment over a 25-30 year period.

Anchor investment and supply chain investment

ICFGF tax site landowners are actively investing in their sites to make them ready for supply chain investment, whether from the landowners themselves or inward investors. In this context the investment in the tax sites to improve or unlock them is considered anchor investment which will in turn lead to supply chain investment from inward investors.

Examples of the anchor investments being made are demonstrated by the range of seed capital projects being proposed. At Port of Nigg and Port of Cromarty Firth there are several port infrastructure projects that will significantly increase the availability of onshore land and quayside available to the FLOW sector. Highland Deephaven are also exploring future expansion options at their site.

At Ardersier landowner Haventus has invested £300m into the site to redevelop and regenerate it for FLOW inward investment and have just secured an additional £100m loan from SNIB and UKIB. At Inverness Campus, Highlands and Islands Enterprise are looking to develop serviced plots for inward investment from Life Sciences and advanced manufacturing businesses. Highland Council are making investment at the Longman site to allow inward investment in Hydrogen.

Investment is also being made in infrastructure outwith the tax site to remove barriers to future development from planning restrictions. This is demonstrated by the Tomich junction improvements which will be part funded by seed capital and the East Link road in Inverness funded in part by the Inverness City Region Growth Deal.

These anchor investments will open the tax sites to investment from inward and local investors in the wider supply chain. While there are many enquiries to date, an excellent example of a supply chain investment is from Sumitomo Electric into the Port of Nigg. While requiring £350m of investment from Sumitomo it has also required anchor infrastructure investment by Port of Nigg to unlock it, in quayside, roads and transmission.

It is anticipated that this model will be replicated across all the tax sites and sectors with enquiries to date strongly suggesting this will be the case.

Strengths, weaknesses and target investment by Green Freeport site

The table below summarises the strengths and weaknesses by Freeport tax site along with the target subsectors by tax site.

Table 6: Strengths, weaknesses and target investment by Green Freeport site

Site	Strengths	Weaknesses	Target investment
Cromarty Firth	- Existing infrastructure at Port of Nigg, Port of Invergordon and Highland Deephaven. All have deepwater, extensive quayside and onshore land with excellent availability of developable land. - Extensive experience in offshore industries, first in oil and gas then fixed bottom offshore wind. These sectors have transferable skills both inhouse and within the supply chain in project management, logistics etc which will lower costs and improve efficiencies. - Proven public/private/academic partnerships leveraging in investment.	- Workforce does not have specific FLOW skills as would be found in Denmark and South Korea - Limited local ability of HE and FE level workforce - Housing availability in proximity to tax sites. - Road links have limited capacity and constraints at junctions and bridges notably the A9 is a single carriageway from 9 miles north of Inverness - Rail links are available to local towns but not to tax sites	- FLOW Turbine tower manufacture - Steel Substructure component Manufacture - Steel Substructure component Assembly - Dynamic Cable Manufacture - Dynamic Cable System Assembly - FLOW Turbine Components and substructure marshalling and Assembly. - Wet Storage - O&M - Hydrogen production, conversion and transportation.
Ardersier	- Significant Private and public sector investment to develop and regenerate the site, including £300m from Haventus and £100m from SNIB and UKIB. - Significant amount of developable land available. - Previous use as a manufacturing and marshalling and assembly port for Oil and Gas	- Workforce does not have specific FLOW skills as would be found in Denmark and South Korea - Limited local availability of HE and FE level workforce - Limited local availability of fabrication and construction workforce - Housing availability in proximity to tax sites - Road links have limited capacity and constraints at junctions - the A96 Inverness - Nairn road is single carriageway - Rail links are not available to the tax site with the closest rail line being 3 miles away	- Concrete Substructure component manufacture and construction - FLOW Turbine blade manufacture - FLOW Turbine component and substructure marshalling and Assembly.
Inverness	- Existing Life Sciences Cluster at Inverness Campus with developable land for phases 2 & 3 with proximity to the NHS and Academia. - Brownfield site at Longman Landfill for investment in Hydrogen - Market leading anchor tenant in Gael Force at Inverness Harbour	- Phase 2 of the Inverness Campus is constrained by road infrastructure. For the site to progress, the Inverness East Link Road will have to be progressed by Transport Scotland. The East Link project is also a constraint on provision of housing sites in the east of Inverness. - Limited local availability of HE and FE level workforce - Limited local availability of fabrication and construction workforce - Housing availability in proximity to tax sites	- Medical Devices, Digital Health and AAA - Marine technology, specifically boat building, repair and Aquaculture infrastructure. - Hydrogen production, storage and transportation.

1ci1. Seed capital

A seed capital application and assessment process took place as part of the development of the OBC, with the objective of optimising impact, value for money and risk management in delivering Green Freeport objectives. As stated, would be the case in the OBC, project sponsors responsible for the 11 preferred seed capital projects were invited to submit OBCs to the Accountable Body for assessment and determination as to whether they pass the gateway test to proceed to FBC. The Economic Case sets out the approach which was applied to assessing the seed capital OBCs. This process has resulted in no material change (projected outputs and outcomes remain unaltered) to the 11 projects forming part of the 'Maximum Ask' option at OBC stage. However, the projects at the Port of Nigg have been repackaged to better reflect synergy between proposed interventions. Project sponsors will be required to submit seed capital FBCs to the Accountable Body in due course, to ensure that appropriate due diligence is carried out by the Accountable Body prior to the formal offer of public subsidy by way of seed capital grant. In the event that any of these projects are unable to proceed in full or in part, following seed capital FBC determination by the Accountable Body, the formal change request approval process would be initiated.

Table 7 summarises the proposed seed capital projects and sets out the justification for each one. In all cases, seed capital funding is intended to support the initial phases of site preparation or transport infrastructure. These measures will unlock tax sites and enable them to be brought forward for development.

Seed capital deployment has been targeted where it will maximise the wider benefits of the Green Freeport package by de-risking and accelerating investment in critical pre-development works. While Green Freeport tax incentives will be key to downstream floorspace development, it is essential to ensure a strategically coordinated approach to the rapid supply of cleared, serviced development sites and additional deep water access, as well as the necessary off-site transport capacity to support future demand.

At the Port of Inverness, Deephaven and the former Longman landfill site, the tax sites are primarily brownfield and face significant abnormal costs in the site development process as they pivot to new roles in supporting the net zero transition. Here, seed capital will support measures to

. At the Port of Cromarty Firth and the Port of Nigg, . All of these projects will directly support Green Freeport objectives by unlocking sites to accelerate development activities such as

At Inverness Campus where the site is greenfield and in public sector ownership, seed capital will enable primary infrastructure to be delivered much more quickly than would otherwise be the case due to public sector funding constraints. Inverness Campus is key to the delivery of life sciences and marine technology innovation goals within the Green Freeport. Delivering the primary infrastructure in a single phase will enable development plots to be brought to market quickly, maximising the delivery of sectorally-relevant floorspace development within the period of tax site designation.

The seed capital projects also include major off-site junction improvements on the A9 at Tomich. Without these specific improvements, planning approval will not be granted for major new developments at Invergordon. The alternative of funding the project later through net retained NDR would delay this critical infrastructure upgrade, slowing down the development process and delaying the generation of additional non-domestic rates. Here again, there is an opportunity for seed capital to pump prime the process, enabling a more strategic approach to be taken to the provision of critical infrastructure that will service multiple tax sites.

Table 7: Proposed seed capital funding

Project name	Seed capital (£)	Summary activity	Specific activities delivered with seed capital	Justification for seed capital funding	Tax site unlocked
Inverness Campus Phase 2 infrastructure	4,000,000				Inverness
Port of Inverness – Longman Quay Improvement	1,820,000				Inverness
Longman Green Hydrogen Project	700,000				Inverness
Tomich Junction Improvements	1,957,903				Cromarty Firth
Port of Cromarty Firth – Phase 5	7,000,000				Cromarty Firth

Port of Nigg – Land Development Projects	5,471,845				Cromarty Firth
Port of Nigg – West Quay Enabling Works	450,000				Cromarty Firth
Port of Nigg – HV/DC Cable Manufacturing Facility Enabling Works	850,000				Cromarty Firth

Where seed capital projects are being delivered by the private sector, many of the funded activities will qualify for the enhanced tax reliefs that come with tax site status. Private sector funding, including balance sheet and bank lending, will deliver a significant proportion of the capital needed. However, developers and manufacturers are typically unable to commit until their Final Investment Decision – for the Green Freeport to be successful, enabling works need to start well in advance of future demand being crystallised. Upfront expenditure on the scale required is inherently risky, especially where downstream development is either uncertain or new markets are dependent on wider Green Freeport activity outside individual landowners' control. In some cases the funding stacks are finely balanced, even with seed capital. In these cases, positive signals around the potential award of seed capital also have a crucial role to play in helping to unlock other sources of investment. These include competitive national funds such as FLOWMIS as well as scarce regional public sector funding (e.g. from HIE and Highland Council).

With many tax site measures limited to five years, time is of the essence. Delivery of these works over a longer period would lead to delays in key development sites coming forward, with knock-on impacts on the generation of retained non-domestic rates, further delaying the provision of strategic infrastructure. As the options analysis presented in the Economic Case clearly shows, the selection of these seed capital projects adds significantly to the Green Freeport's net additional impact and their delivery as soon as practicable after FBC approval will greatly accelerate the delivery of Green Freeport benefits.

1ci2. Tax sites

Tax sites overview

Three tax sites, totalling around 520 hectares of land, were designated by Statutory Instrument on 8 April 2024. Only underdeveloped, but developable, land is included in all three tax sites.

These sites have a critical role to play in delivering additional net national economic growth by enabling new industries and jobs to come to areas of high deprivation, in support of projects that will accelerate a just transition to net zero and improve energy security.

They are an essential part of achieving the national and regional SMART targets for the ICFGF programme, set out in 1(a).

The Cromarty Firth and Ardersier tax sites include the only locations in Scotland where floating offshore wind (FLOW) manufacturers can cluster together to deliver the Government's ambitious 60% UK content target for offshore wind, and the associated trade and energy security benefits. This is because only these locations can deliver a sufficiently broad manufacturing offer at the necessary scale and with the right connectivity to the offshore wind farm locations.

The Cromarty Firth and Ardersier tax site propositions reflect a realistic assessment of what delivering the UK's content targets actually requires, reiterating both the growing body of independent reports addressing this issue and our own extensive discussions with the industry itself.

The Green Freeport offers the very large amounts of developable waterside space, and associated quays, with on-hand sheltered deep water storage, which the industry is telling us at scale FLOW manufacturing, marshalling and assembly requires.

In total our tax sites provide some 470 ha of suitable land for FLOW manufacturing, marshalling and assembly, connected to around 3km of suitable quay (of which some is already built and the remainder will be made possible in large part due to Green Freeport tax measures), and sufficient sheltered, deep, wet storage for 70 floating substructures.

This combination means that, with the right support, our FLOW proposition can generate the levels of density and coverage to catalyse FLOW agglomeration and clustering effects. These effects can promote off-site supply chain development and bring productivity gains through innovation and economies of scope and scale that will help address the energy security challenge and improve UK terms of trade.

Once built out, the FLOW land and associated wet storage will host multiple parallel production lines producing different components year-round. Components will move between these facilities and the wet storage at different stages of the production process, culminating in an intense period each year of final assembly and marshalling prior to the seasonal deployment window.

An example may be as follows:

- 1) Steel foundations imported into Nigg in 3-4 pieces or components manufactured on site will be assembled there.
- 2) The foundations will then transfer into the wet storage (anchorage locations throughout the Firth) to allow a continuous production line of foundations.
- 3) Rolled steel tower sections manufactured at Nigg Energy Park will be assembled into towers there for on site WTG (Wind Turbine Generator) integration or moved to another WTG assembly port.
- 4) Nacelles (motors) will be imported into the nominated ICFGF WTG integration port, likely from mainland Europe.
- 5) Blades will be imported into the nominated ICFGF WTG integration port, likely from other parts of the UK (some other Freeports), Europe or potentially closer to hand.
- 6) Anchors, mooring lines and other complementary components manufactured at Highland Deephaven will be supplied to the offshore field for pre-installation or be transferred to another marshalling port, possibly within the Freeport network.
- 7) The steel foundations will be towed from wet storage to the nominated ICFGF port for WTG integration: the towers will be added by large cranes, followed by the nacelles and the blades. The complete floating turbine will then be ready for inshore commissioning or offshore deployment to the windfarm site.

Furthermore, foundations are likely to be assembled year-round at locations such as Nigg, Ardersier and Invergordon. Concrete foundations are likely to be manufactured year-round at locations such as Invergordon and Ardersier. This will provide continuous full-time employment.

Locations in our FLOW sites also provide opportunities to accelerate the UK's green hydrogen revolution with co-location with FLOW and related supply chains providing further clustering and supply chain benefits.

The third tax site, in Inverness, is not FLOW focused, although it is likely to host FLOW related supply chain activities and free up capacity elsewhere. It comprises a number of distinct, yet connected, offers that will help address a critical shortage of developable industrial land, allowing the city's port itself to expand (to enable growth in the specialist aquaculture sector, marine engineering and onshore renewables), enable a significant hydrogen scheme (additional to those discussed above) to come forward and support the expansion of a university innovation campus for SMEs in life sciences and advanced engineering.

Tax site summaries

A high-level summary of the tax sites is provided below. The OBC provided significantly more detailed information, in order to support the designation process which has now completed. Appendix 1 provides information, for each individual landholding within each of the three tax sites, around the compliance of the site with the UK and Scottish Government requirements. Additionally, maps of each tax site are provided at Annex A.

The **Cromarty Firth Tax Site** includes the existing ports of Invergordon and Nigg, both with ambitious expansion plans which will be facilitated by tax measures, as well as land earmarked for enhanced capacity at Highland Deephaven and Pitcalzean. Taken alongside Ardersier, this means ICFGF includes the only places in Scotland with the space, water depth, proximity to lease locations, protection from swell, track record of delivery and experience, to establish a world class FLOW manufacturing port cluster.

Given the scale of what is required, the industry expects floating offshore wind components will be manufactured at many locations in this tax site – at Highland Deephaven, Invergordon and Nigg – with significant movement between them. This is likely to include floating foundations, rolled steel tower sections,

offshore cables and pipes and other complementary components. The result is a tax site that incorporates different landholdings but a single economic ecosystem.

Infrastructure investment across these sites is estimated at over £4.5bn, enabled largely by tax site measures.

The table below summarises the landholdings within the Cromarty Firth Tax Site.

Table 8: Landholdings within the Cromarty Firth Tax Site

Tax site	Landholding	Hectares
Cromarty Firth	Highland Deephaven	50.2
	Invergordon Service Base	82.76
	Port of Nigg	105.99
	Pitcalzean	72.21
	Wakelyn Trust and the Dunskaith Property Development Company	18.22
	Total	329.38

The **Ardersier Tax Site** includes one of the largest unused brownfield sites in the UK. Ardersier Port is a deep-water sheltered port which will be restored and re-opened, providing facilities to support fixed and floating wind developers to carry out staging and integration, foundation fabrication, component manufacturing and maintenance requirements. Supported by plans for investment by American investors Quantum Energy Partners and the recent announcement of a £100m credit facility from the UK Infrastructure Bank and the Scottish National Investment Bank, the construction programme and future operation of the port have the potential to create and enable thousands of jobs and reskilling opportunities for the local community and support the wider energy transition in Scotland and around the world.

The table below summarises the landholdings within the Ardersier Tax Site.

Table 9: Landholdings within the Ardersier Tax Site

Tax site	Landholding	Hectares
Ardersier	Port of Ardersier	153.49
	Total	153.49

The **Inverness Tax Site** is found in Inverness, the Highlands' capital, which has a strong track record of attracting people and business, but industrial land in the city is now highly constrained with land prices running as high as £2m per hectare. Land availability, and the high costs of reclamation, are constraining growth, including in emerging high-wage innovation sectors. At the Inverness Tax Site, tax reliefs for private investment to open up new land will address this problem head-on. To take advantage of this opportunity, the tax site includes land at the Port of Inverness, where tax measures will help unlock private investment in new capacity, largely through the Harbour Gait land reclamation project, including for servicing developments in onshore renewables and energy infrastructure, and the expansion of a marine technology firm into new export markets. Adjacent to the port, Aurora Energy will invest in a renewables training centre of excellence, wind service operations and maintenance facilities along with a bespoke blade repair training facility. Tax measures will work alongside City Region Deal funding to facilitate the remediation of the former Longman landfill which will be repurposed to support a major new hydrogen facility. Finally, the impact of tax measures on returns will make possible growth on the Inverness Campus, expanding a life sciences, digital healthcare, light manufacturing and technology hub for SMEs and start-ups.

The table below summarises the landholdings within the Inverness Tax Site.

Table 10: Landholdings within the Inverness Tax Site

Tax site	Landholding	Hectares

Inverness	Port of Inverness	15.67
	Aurora Energy	0.45
	Longman former landfill site	10.50
	Inverness Campus	10.90
	Total	37.52

Viability and additionality

All three tax sites are designed to accommodate propositions that would not be viable in the absence of tax site benefits. This is also a requirement of the Tax Site Delivery Agreements that have now been executed with landowners to help ensure additionality from tax site benefits by managing the kind of activity tax site landowners will allow on to their land while the tax site benefits remain active – see section 4a.

The Green Freeport Set-up Phase is too early in what will be a 12-plus year development process for detailed quantitative IRR assessments pre- and post- Green Freeport interventions, including tax site benefits. These kinds of assessment require detailed information on end user (e.g. a blade or nacelle manufacturer) investment proposals and will differ between different kinds of development. They are also sensitive to small variations in individual investor's capital programmes and the details of their respective capital, financing and tax structures. Our focus has therefore been on providing a qualitative assessment of the viability picture.

The UK and Scottish Governments can have confidence about our overall additionality proposition in respect of tax site benefits, for the following reasons:

- i) Tax Site Delivery Agreements address additionality head on, providing a powerful backstop protection on this critical question.
- ii) Some 90% of our tax site land is directed at delivering UK offshore wind content. The history of UK offshore wind manufacturing content – indeed the need for the Government to set ambitious UK content targets to focus efforts on addressing the problem – is powerful evidence of the viability challenges faced by UK-based providers in this sector in the absence of Green Freeport type measures.
- iii) The existence of FLOWMIS type interventions, which provide a further indication of the need for interventions focused on viability of offshore wind manufacturing, as well as a mechanism for ensuring total support is proportionate to need, independent of the tax site measures. Offshore wind CfD and comparable interventions in the hydrogen space are also indicative of need and provide a further opportunity to ensure proportionality in the total level of support provided.
- iv) The underlying trends in the Highlands economy are also a strong indicator of additionality. Section 1(a) above sets out the recent history of the area in terms of opportunity and dependency and what this has translated into in terms of working age population. These challenges reflect the inability of the location to attract sufficient private capital to deliver the quantum of secure, higher wage opportunities needed to sustain its working age population given the opportunities that exist elsewhere.

1ci3. Retained non-domestic rates

Objectives of the Green Freeport net retained NDR programme

As a means of delivering longer-term and enduring outcomes for the Highland economy and communities, the local retention of incremental non-domestic rates (NDR) growth generated on Green Freeport Tax Sites is expected to be one of the most valuable elements of the Green Freeport package.

Such a revenue stream can provide a significant opportunity to facilitate further investment in skills, infrastructure, decarbonisation initiatives and innovation, especially if 'joined up' with other sources – public and private.

The objective of the NDR programme is to allocate net retained NDR revenues to maximise long-term sustainable and inclusive economic net gains to the Highlands, by supporting public and private initiatives within the Green Freeport and wider travel to work area of impact that promote:

- skills and employment,
- productivity, including through innovation,
- trade and investment,
- regeneration, and
- a fair Net Zero transition.

This will be achieved through:

- complementing regional programmes, strategies and priorities,
- addressing market-failures,
- supporting areas of deprivation,
- promoting additional private investment,
- leveraging additional investment and funding from a wide range of sources, including national, regional and local funds, universities, and national transport and other agencies,
- integrating other funding streams, the Green Freeport or its partners may be eligible to bid for, and
- adapting the Green Freeport's approach to reflect changes in the wider funding, policy and governance landscape.

Governance

Roles and responsibilities

A key principle of the net retained NDR programme is that decisions will be made via a process and structure that preserves both the public-private 'dual key' approach and democratic accountability for the expenditure of public funds.

Key parties in ICFGF's net retained NDR governance structure include:

- **Green Freeport Company management team.** ICFGF's management team will be responsible for the day to day running of the Green Freeport. The management team is accountable to the Board for the Company's activities. The management team will be responsible for developing proposals for the allocation of net NDR revenue and will make recommendations to the Green Freeport Board. The team may bring in specialist external advice / resources where appropriate.
- **Green Freeport Company Board.** The Board's role is to set the strategic direction of the Green Freeport, ensuring that all activity aligns with the aims of the Green Freeport. The Board must also ensure robust governance frameworks are created and upheld, with regular reporting to stakeholders including UK and Scottish Governments. The Board will review the recommendations of the management team and make a recommendation to the Accountable Body. The Board may, if appropriate, form a sub-committee to support this function.
- **Accountable Body, the Highland Council.** The Accountable Body is responsible to Government for the expenditure and management of centrally funded public money including retained non-domestic rates. The Accountable Body must ensure public funding is used appropriately with all information on expenditure, activities and outcomes properly recorded and reported. Net retained NDR are public funds and, as such, the Highland Council, acting as the Accountable Body for ICFGF, will be responsible for the audit and accounting of NDR. The Highland Council's s95 Officer must sign off any investments from the net retained NDR fund and has the right of veto. This right of veto will be exercisable when the s95 Officer is of the view that the process outlined in the Investment Plan has not been followed correctly, for example if a proper assessment of the investment eligibility criteria has not been carried out and

documented. As stated elsewhere, the s.95 Officer also has a right to intervene where a proposed investment departs from the overall aims of the Green Freeport.

- **Scottish Government.** Should there be a dispute between the Green Freeport Company and the Accountable Body, there may be a role for the Scottish Government in managing and arbitrating the dispute. If so this process will be outlined in the Memorandum of Understanding developed after the approval of this FBC.

Investment Plan

Once the Green Freeport is fully operational (i.e. post FBC approval), the Green Freeport Company Board will adopt a Green Freeport NDR Investment Plan which will include:

- The Investment Policy, setting out:
 - a) the objectives of the net retained NDR programme, and
 - b) the types of investment that will be eligible.
- The process of identifying potential investments.
- The process of evaluating, prioritising and approving specific investments for onward submission to the Highland Council in its role as Accountable Body.
- Arrangements for monitoring, evaluating and reporting on the outcomes, including measuring outcomes.

An overview of, and current thinking on, each of these elements is provided below.

In addition to its role as Accountable Body and in recognition of the key role it may play in delivering some of the NDR funded infrastructure, it is proposed the Highland Council be a key consultee in the formation of the NDR Investment Plan by the Green Freeport Company. This process will seek views from elected members and senior leadership to identify opportunities and challenges in delivering the aims of the Green Freeport, with the format and process for this input being determined by the Highland Council.

The Highland Council will also be required to endorse the NDR Investment Plan in its role as Accountable Body in terms of governance and alignment with the stated aims of the Green Freeport. Following this process the Green Freeport Company Board will then approve the plan and share with the Scottish and UK Governments.

The Green Freeport Company will review the Green Freeport NDR Investment Plan at a minimum every three years, but it's proposed this be more frequently, e.g. every two years, if the economic and emerging inward investment opportunities merit earlier review. The above proposed consultation with the Highland Council will occur each time the Investment Plan is reviewed.

Approach to establishing and maintaining the Green Freeport net retained NDR fund

Arrangements for collecting retained NDR and maintaining the Green Freeport net retained NDR fund

The arrangements for NDR retention are set out in non-statutory guidance produced by the Scottish Government. In its capacity as the Rating Authority, the Highland Council is responsible for collecting the NDR payable within the Green Freeport.

The Local Authority will be required to provide an annual Green Freeport return to the Scottish Government, as part of the standard process for NDR income returns in the June after the end of the financial year, which will include data relating to the 'Baseline Income', the 'Additional Green Freeport Income' and the 'Total NDR Income'.

Rating Authorities also need to account for movements in and out of the Valuation Roll, which result in a change to the total gross NDR Income for the relevant year, based on the poundage/property rate or any other supplement where relevant. Demolitions and reductions in Rateable Values will also result in an adjustment to the NDR Income whether that be from the Baseline Income or the Additional Income. Revaluations, currently undertaken every 3 years, outcomes of appeals and any associated relief that the

Scottish Government may make available shall also affect NDR Income. Additions to the Valuation Roll within the Green Freeport area will include gross income from:

- new properties contributing to the Baseline Income that have not satisfied the “but for” test,
- new properties contributing to the Additional Income,
- improved or extended properties resulting in additional income, and
- re-built properties, adjusted for the pre-demolition income.

The initial Baseline Income for the delineated area within which retention is to take place will be set through an Initial Baseline Income return which the Highland Council will submit to the Scottish Government. The properties included in the Initial Baseline will be those on the valuation roll in the Green Freeport tax sites as at the day prior to tax site designation, with rateable values as at the same day.

Where there is a revaluation, causing the rateable value of a re-built property to change, the difference between the Baseline and Additional Income should be the same proportionate split as there was pre-valuation, which is then applied to the new rateable value.

The income to be retained by the Highland Council (Additional Income) will be determined by the amount that the Total NDR Income exceeds the Baseline Income, and excludes those properties that have not satisfied the “but for test”. This will be derived from NDR paid on new buildings, extensions/improvements of existing buildings, and rebuilds of existing buildings resulting in higher rateable values and therefore higher income being collected through non-domestic rates. This amount will then be reduced by the agreed Displacement Factor.

Revaluations, associated relief, including Transitional Relief, and appeals against revaluations and NDR liabilities may lead to a reduction in the amount due to be collected and therefore, in the revenues collected. Non-payment of rates will also reduce the NDR revenue available for investment. Furthermore, the Scottish Government may query or review Green Freeport properties to determine whether they have met the “but for” test. Projects built within a delineated area, that do not meet this test contribute to Baseline Income, rather than Additional Income. Where the Scottish Government is not satisfied that the test has been met, it may request amended returns with backdating effect. In the event that this should occur, the associated amounts will be deducted from revenues available to the Green Freeport.

The revenues implications of these risks will be managed by maintaining a contingency fund within the overall net retained NDR fund (this is described further below).

Net retained NDR will be held by The Highland Council until the point at which payments are required to support approved investment projects. These projects must first be approved by the Highland Council in its capacity as Accountable Body and following the relevant adjustments have been made. Interest earned on net retained NDR balances will accrue to the fund.

Financial assurance

The Highland Council will maintain a record of:

- for each Tax Site hereditament: baseline and net retained NDR income,
- any contingency, allowances and other provisions,
- any other income due to the fund e.g. interest,
- approved capital and revenue expenditure,
- actual drawdowns of capital and revenue expenditure, and
- annual net surplus/deficits.

‘But-for’ Test

In order for new properties to contribute to additional Green Freeport retained NDR, they must meet a ‘but-for’ test. The Highland Council, in its capacity as Rating Authority, must be capable of showing on request by the Scottish Government that:

- without the Green Freeport the necessary infrastructure investment would not take place; and
- the project meets one or more of the stated objectives of the Green Freeport programme:
 - 1) promote regeneration and high-quality job creation,
 - 2) promote decarbonisation and a just transition to a net zero economy,
 - 3) establish hubs for global trade and investment, and
 - 4) foster an innovative environment.

In order to comply with this requirement, the Highland Council will require landowners / ratepayers to confirm in writing that (a) without the Green Freeport the necessary infrastructure investment would not take place; and (b) the project meets one or more of the stated objectives of the Green Freeport programme. This approach is consistent with Tax Increment Financing regimes elsewhere in Scotland.

Approach to making investments from the Green Freeport net retained NDR fund

Amount available for investment

Prior to the commencement of each investment 'round', the Green Freeport Company Board will consider the overall quantum of funding that is available for investment. The overall quantum that is available shall be based on information provided by the Highland Council as to the net retained NDR receipts on each tax site. The Green Freeport Company Board will ensure that total proposed investment costs will not exceed the overall quantum of funding that is available.

In determining the amount of funding available for investment, the following costs will be accounted for first and only once these have been deducted, will the net amount for investment be established.

- Set-up, management and operating costs of the Highland Council as Accountable Body and in its role as the Rating Authority for the management, reporting, administration, discretionary relief, and enforcement of NDR for tax sites within the Green Freeport. This is to ensure cost neutrality for the Highland Council in the administering of the retained NDR programme.
- Any additional contribution the Accountable Body may consider is necessary and proportionate to support the ongoing operating costs of the Green Freeport Company. In respect of such a contribution, the following considerations will be taken into account:
 - The Green Freeport Company Board will undertake to review and manage the Company's operating costs.
 - A contribution to Green Freeport Company operating costs will only be decided once other sources of funds such as landowner contributions and Government funding have been fully utilised.
 - Any such contribution will be an amount considered necessary and proportionate based on consideration of a budget and forward financial plan submitted to the Highland Council by the Company.
 - The Highland Council, in its role as Accountable Body, shall consider the request for a contribution of funding and shall decide the request.
 - Any amount of contribution made from NDR revenue will be subject to an annual review by the Accountable Body and may be reviewed at other points throughout the year, as determined by the Accountable Body.
 - The Accountable Body cannot unreasonably withhold the request for a contribution from net retained NDR to Company operating costs required to undertake activities to meet the UK and Scottish Government obligations in terms of effective operation of the Green Freeport during the 25 year NDR retention period.

Borrowing against future income from net retained NDR

Neither the Green Freeport Company nor the Highland Council currently plan for any borrowing against future income from net retained NDR. The Green Freeport Company and Highland Council may consider investment proposals where there is a requirement for forward-funding investment until such time as net retained NDR income is available to support the investment. Where this cannot be managed within the overall net retained NDR income in a given year, there may be a cashflow and financial risk to be considered, with the potential the request is for Highland Council to forward fund. As a result, it is expected such forward funding for investment would only be considered in scenarios where the nature of investment is of a key enabling nature, and where the Council considers there to be a natural 'fit' and role for the Council to be the enabling party. There would have to be due consideration of the outcomes to be delivered relative to the financial and other risks that may arise from forward funding, with it ultimately being a matter for the Council to consider through its own formal governance arrangements.

Overall approach to investments

The Green Freeport Company Board will make recommendations to the Highland Council on the proposed investments to be supported during the upcoming investment round and the portion of NDR funds to be allocated to each.

The Green Freeport shall not enter financial commitments until such time as the Highland Council and the s95 Officer has considered and approved such proposals. The Green Freeport Company shall then only enter financial commitments for those proposals which have been approved by the Council s95 Officer.

After accounting for the costs described above, proposed investments are expected to be as follows (in order of priority):

1. Commitments from previous rounds, if any (e.g. where allocations from the NDR fund are provided on a multi-year basis which outlast a single investment plan period, these will need to be accounted for in subsequent rounds).
2. A contingency fund to mitigate the risk of investment decisions being based on estimated rather than actual net retained NDR.
3. 'Unallocated pot':
 - An amount of funding will be kept aside within each investment round to accommodate 'walk-ins', i.e. shorter-term or smaller schemes that may be identified and evaluated on a more ad-hoc basis during the investment plan period and after the initial programme of investment has been agreed.
 - A gateway process will be put in place for release of funds from this 'pot' including parameters to establish what would qualify, criteria against which 'walk-ins' and the release of contingency will be assessed against.
 - The Green Freeport Company Board will be responsible for vetting the suitability of the applicant for investment and will make recommendations to the Highland Council on the proposed investments to be supported from the unallocated pot. The Green Freeport Company shall then only enter financial commitments from the unallocated pot for those proposals which have been approved by the Accountable Body.
 - To the extent that there is any residual funding from this pot left over at the end of an investment period, it will first be available for addressing any over-commitments in investment fundings where actual NDR revenue has not materialised at the anticipated level. Thereafter, any residual balances will be added to the amount of funds available in the subsequent round, or netted off the relevant drawdown as appropriate.
4. Core investment programme (see below).

Core investment programme

Overview

The remaining funds will be allocated to support a suite of investments designed to deliver the objectives of the Green Freeport programme.

Recognising the diverse nature of these objectives and the need to evaluate different types of investment against each other, it is expected that a flexible approach will be used aligned with the UK and Scottish Governments' objectives for the Green Freeport programme:

1. promote regeneration and high-quality job creation,
2. promote decarbonisation and a just transition to a net zero economy,
3. establish hubs for global trade and investment, and
4. foster an innovative environment.

Eligibility

Consistent with the UK and Scottish Governments' guidance on their expectations for the use of net retained NDR, a potential investment will need to fall within one or more of the following categories in order to be eligible for support from the NDR programme:

- physical and/or digital infrastructure that will facilitate investment in the Green Freeport area,
- land assembly and/or site remediation works that will facilitate investment in the Green Freeport area,
- skills and workforce development,
- innovation initiatives which support productivity improvements,
- enhance trade and investment in the ICFGF region,
- regeneration and/or the development of 'live work play' assets (such as housing and associated social infrastructure) within the Green Freeport Travel to Work Area,
- mitigating any displacement and/or negative externalities associated with the Green Freeport,
- activity in support of the Green Freeport's Net Zero ambitions, and
- the delivery of Green Freeport-specific planning measures.

Furthermore, to be eligible for investment from the NDR fund, potential schemes will need to demonstrate that:

- without the Green Freeport the necessary infrastructure investment would not take place, or would not take place at the optimal scale or pace,,
- public funding is required to mitigate wider economic circumstances that are having a negative impact, and
- such schemes are most appropriately funded from net retained NDR.

Development funding for schemes will be considered where it meets the criteria above.

The Green Freeport Company will be open to making funds available to public sector entities, private sector entities, not-for-profits, charities and other types of organisations. In all cases, appropriate due diligence of recipients will be undertaken by the Green Freeport Company Board and shared with the Accountable Body prior to the release of funds. Thereafter, the Accountable Body shall undertake due diligence of the NDR status of applicants to inform decision making.

Investments will be considered that take the form of a one-off grant, a multi-year grant (for example to support borrowing undertaken by the project's sponsor), equity investments, co-investment, and – in exceptional circumstances – loans. Investments of both a capital and revenue nature will be considered. In the event of loans being made available, the Green Freeport Board will be responsible for assessing risks and

for having arrangements in place to recover loan repayments and to manage any bad debts that may arise. Arrangements will also be in place to recover grants where projects are aborted or exceptionally delayed, where the objectives of the funding do not continue to be satisfied, and in circumstances where there is agreement between the Green Freeport Board and The Highland Council

Prioritisation

For those projects that meet the eligibility criteria for NDR funding, the Investment Plan will set out a prioritisation matrix to rank proposals. The prioritisation matrix may consider factors such as:

- **Strategic fit and promotion of one or more of ICFGF's objectives.**
- **Deliverability** – evidence that the project is deliverable within an agreed timeline, with appropriate level of procurement, project management and governance in place.
- **Affordability** – scale of the funding ask and the timeline for costs and benefits
- **Value for money** – benefits generated by the project against its costs (benefits could include skills development, working age population growth, productivity uplift, reduced carbon emissions, employment unlocked, land value uplift and agglomeration).
- **Additionality** – clear market failure that cannot be addressed by the private sector alone or through alternative public sector funding streams.
- **Private sector leverage** – private sector contributions unlocked.
- **Public sector contributions** – further public sector funding unlocked.
- **Availability of alternative funding** – in the event of unforeseen funding changes, does the project have other viable funding sources.
- **Balance across the programme workstreams** (i.e., high quality jobs creation, skills, regeneration, net zero, innovation, trade & investment, local investment priorities) and in terms of benefits delivered across the Green Freeport geography, and recognising the different needs of communities across the ICFGF region.

Workstreams and projects

The principal purpose of ICFGF's NDR fund is to facilitate a range of investment opportunities which will support the objectives of the Green Freeport. Core investment workstreams are expected to be:

- Regeneration and high-quality jobs
- Decarbonisation and net zero
- Trade and investment
- Innovation

These proposed workstreams reflect the opportunity areas for investment highlighted in Section 6 of the Green Freeport Set Up Phase guidance and the specific objectives of ICFGF. The workstreams will prioritise NDR funding for initiatives which promote skills and workforce development, innovation, regeneration of the ICF region, net zero activities as well as trade and inward investment helping to mitigate any displacement.

An allocation of net retained NDR funds between workstreams has not been developed at this stage. The Green Freeport considers doing so now as premature, with an indicative allocation unlikely to be consistent with either maximising delivery against ICFGF's objectives or delivering value for money. More generally, ICFGF would expect priorities for the allocation of NDR to evolve over time, particularly as the needs of individual tax sites are addressed, and new opportunities to widen the benefits of the Green Freeport arise. ICFGF expects retained the NDR fund to support initiatives across all the workstreams above, with future opportunities likely to combine across workstreams and themes.

Process

Candidate investments will be identified via (a) an external call for proposals and (b) the generation by the Green Freeport Company of its own potential schemes. The purpose of (b) is to ensure that consideration is given to schemes that could contribute to the Green Freeport's objectives but have not necessarily been identified by external parties, and/or are designed to address funding gaps or 'gear-in' opportunities for further funding from other sources such as but not limited to Government grant programmes.

The promoters of potential schemes will be asked to develop a short-form business case which will include all the information needed to enable evaluation by both the Green Freeport Company Board and the Highland Council in its capacity as Accountable Body.

Amongst the information required from project promoters, they will be required to demonstrate:

- any potential impact on people of protected characteristics, and if there are any, the associated mitigations,
- the expected impact on carbon emissions and the contribution to the Green Freeport's objectives for supporting the transition to Net Zero,
- contribution to community levelling up and just transition, and
- how project promoters will comply with Fair Work practices.

Applications and proposals for funding will be reviewed by a joint working group consisting of ICFGF and Council officials. The working group will firstly assess potential investments against the gateway eligibility criteria for the NDR programme, as set out above. As also set out above, the Investment Plan will set out the specific evaluation criteria and provide further detail on the prioritisation approach, which the Green Freeport Company Board will then use to assess all proposals. These criteria will focus on strategic fit, value for money, deliverability, additionality, private sector leverage and impact.

The Green Freeport Company Board shall first satisfy itself that the conditions for investment funding are met. This includes an assessment of the suitability of project promoters for funding from the net retained NDR. The Board shall then propose to the Highland Council in its capacity as Accountable Body the schemes it considers appropriate to fund from the net retained NDR. The Accountable Body shall exercise its authority to endorse or reject each proposal and may decide that a proposal needs to be amended and resubmitted to the Accountable Body for consideration.

In arriving at its decision, the Accountable Body shall undertake individual checks of the NDR accounts of each proposer to establish payment status to inform the Accountable Body's assessment of individual proposals. Detailed information about the non-domestic rates account status shall not be shared with the Green Freeport Company Board.

The Accountable Body and Green Freeport Company will align their evaluation and due diligence processes prior to all investments being finally approved and an offer of funding formally made. The due diligence process will incorporate verification of outputs and a value for money assessment, validation of the applicant's business standing and ability to deliver and will require consideration of subsidy control matters.

Monitoring, evaluating and reporting

The Green Freeport Company will have systems in place to capture the outputs from each investment and thereafter will be responsible for measuring the outputs for each investment.

A monitoring and evaluation framework will be developed to track the performance of all investments made from the NDR programme. This will be to ensure that a project is meeting its outputs, including but not limited to:

- delivery against the objectives of the Green Freeport,
- compliance with any conditionality around the defrayment of public funds,
- compliance with the terms of any funding agreement entered into,
- delivery against financial forecasts, and

- overall project management.

All projects will be required to monitor and report quarterly on the use of funds, milestones achieved, outputs, and risks associated with delivery. External factors which are having positive and/or negative impacts on the project shall also be included. The Green Freeport shall provide a template for this purpose and shall seek final approval from the Accountable Body prior to implementation.

Progress against outputs and outcomes will be reviewed by the Green Freeport Company quarterly once a scheme has completed its delivery / implementation stage. Progress reports will continue to be provided until all outputs for the duration covered by the investment have been achieved.

In the event of non-compliance or material slippage on progress, the Green Freeport Company shall work with the developer to rectify areas of non-compliance and to enable actions to be taken to ensure the project is able to get back on track. In the event that the Board is not satisfied that non-compliance can be rectified or the slippage is so significant that the project will not deliver within acceptable timescales, or some other concern, then it must report its concerns to the Accountable Body so that the appropriate resolution may be decided. While a number of options will be considered, this may involve action to claw back the investment funding in full or in part, or for a voluntary payback to be made by the developer. Clawbacks and voluntary paybacks will be added to the Green Freeport NDR fund.

The Green Freeport Company will maintain an overall 'dashboard' for the programme showing a RAG rating of each scheme and other information. The dashboard will also contain information for completed projects. It is expected that this will form part of the suite of reporting provided to Government and the Highland Council in its capacity as Accountable Body under the monitoring and evaluation regime.

The Green Freeport Company Board will provide a report to the Accountable Body to confirm that it is satisfied with the proposed outcomes and measurement and also to record and provide details of any areas where the Board is not satisfied with some or all of the outputs and/or measurements.

Quarterly statements will be developed that set out income received from the net retained NDR fund, expenditure from the fund, and amounts repaid to the fund through clawbacks and voluntary paybacks.

Initial assessment of the overall expected value of net retained NDR

Displacement factor

The overall amount of NDR growth on Green Freeport tax sites will be reduced by a 'displacement factor' to be agreed with Scottish Government. For the purposes of this FBC, the displacement factor is assumed to be 2.5%.

While in practice displacement is likely to be greater on some tax sites and less on others, a common displacement factor is to be applied to all tax sites within the Green Freeport.

Over 85% of ICFGF tax site land is dedicated to the manufacturing of offshore wind components, which will be new to the UK and therefore the displacement is expected to be close to zero. For the remainder of the tax site land, while we expect displacement to be low given the sectors targeted, we have assumed the cautious Scottish displacement factor referenced in the Economic Case of 12.5%.⁵ A conservative estimate of the weighted blend of these two figures provides the assumption of 2.5%.

Preliminary estimate of the quantum of net retained NDR

Initially, new NDR are generated by new private investment and will not begin to flow until after that investment is complete and the Assessor has valued the subject and entered it onto the Valuation Roll. Thereafter, the Highland Council needs to determine the rating liability and decide any relief applications that may have been made and are eligible. This means that, for even the most advanced developments, revenues will not flow from the outset and will only be available at some point in the future.

⁵ The Economic Case uses a cautious displacement assumption of 12.5% to ensure a robust test of VfM. However, the reality is that Green Freeports are new and there is no programme-specific evaluation evidence as yet. The sectors being targeted are highly specific, very immature in UK terms in relation to OEM activity and with very substantial potential to generate new economic activity for the UK as a result of FLOW and hydrogen. It is therefore very unlikely that there would be much relocating of existing activity to ICFGF.

The Highland Council has engaged specialist chartered surveyors, Graham & Sibbald, to provide a preliminary estimate of the potential timing and profile of potential growth in Rateable Values as a result of investment in Green Freeport tax sites. This analysis has been done on a landholding-by-landholding basis based on information provided by landowners as to the estimated scale and pace of development.

In arriving at the projected Rateable Value the most relevant method of assessment has been adopted from the undernoted approaches in accordance with The Assessor's Scheme of Value and relevant Scottish Assessors Association [SAA] Practice Notes:

- Comparative
- Contractors
- Revenue – port revenue (in undertaking the Update exercise Graham & Sibbald met with the port operators of Ardersier, Inverness and Cromarty Firth, who reverted with their opinion on likely impact of Green Freeport on future port revenue.

Initial discussions have been held with The Assessor, who will ultimately be responsible for determining the revised Rateable Value[s]. Graham & Sibbald outlined their approach and adopted methodologies to the Assessor, who confirmed that the approach adopted by Graham + Sibbald appeared consistent with the methodologies that he would adopt.

It is assumed that all identified areas, once completed, will be occupied and fully utilised for the purposes described by the landowners and hence defined as being in "Rateable Occupation" triggering the liability for payment of NDR.

No allowance has been made for investment in Plant & Machinery, which in the case of a number of sites will be significant.

Rating revaluations are undertaken on a 3 yearly cycle, with the next revaluation scheduled for April 2026. The exercise undertaken for this FBC is consistent with the 2023 revaluation and reflects "Tone Date" of 1st April 2022. The next scheduled Re-Valuation in April 2026 will have a "Tone Date" of 1st April 2025..

The Graham & Sibbald outputs are in the form of potential Rateable Value growth on tax sites in four periods:

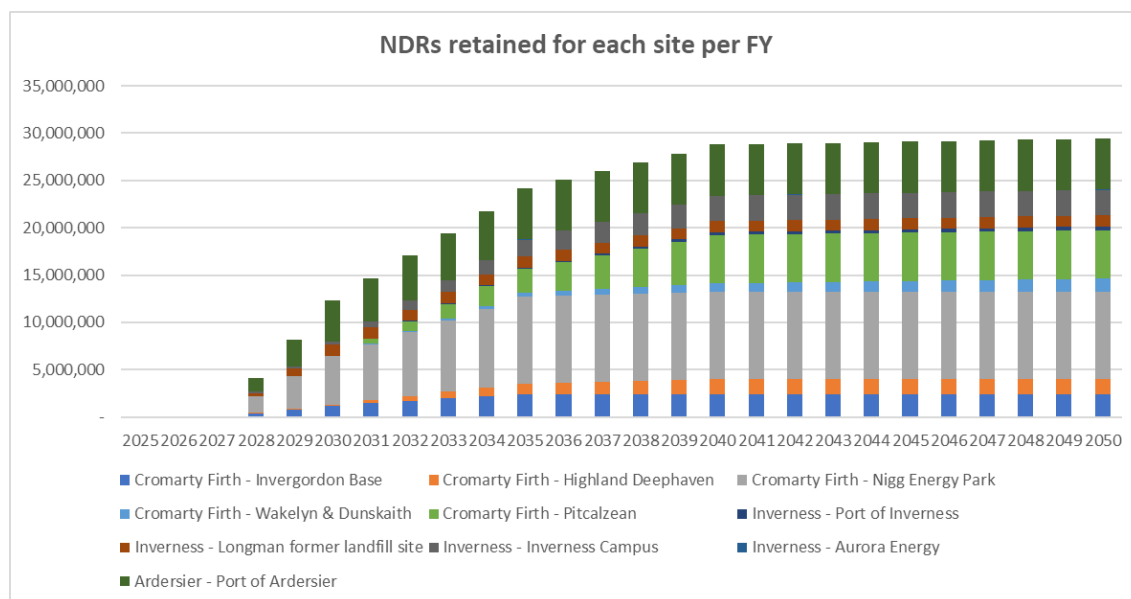
- years 1-5,
- years 6-10,
- years 11-15, and
- years 16 to 25.

Using these outputs, and assuming Year 1 is FY 2024/25, the potential impact on NDR has been calculated. The following assumptions have been made:

- It is assumed that the growth in the initial period (2024/25 – 2028/29) would start being realised in 2026/27 (in other words, the growth is back-ended).
- The growth in the other periods has been applied as a straight line within these periods (noting this a proxy for sites beginning to be liable for NDR and revaluations).
- A further one year lag has been built in, further to advice from Scottish Government, has been applied to represent when the revenue will actually be available to Green Freeports – starting in 2028.
- It is assumed that the Green Freeport will benefit from the rates growth in the early years when NDR relief is available, on the basis that the cost of providing relief will be fully reimbursed by the Scottish Government and made available as a net contribution to the net retained NDR programme.
- As discussed above, the displacement factor is assumed to be 2.5%.

On the basis of these assumptions, the forecast for gross NDR starts at £4m in 2027/28, rising to £28m at the end of the 25-year retention period, with an overall total of £547m (all figures in today's prices). The graph below provides a forecast profile for the annual revenue from net retained NDR.

Figure 2: Estimated NDR for each site per FY



It is critical to note that this is an illustrative forecast only and there is significant uncertainty about the quantum and timing of funds that will be available for investment. The available amounts will in practice be driven by a range of factors:

- The NDR baseline needs to be agreed with Scottish Government.
- Uncertainty around the precise timing and pace of development on each site, which impacts when each hereditament will start being liable for NDR or eligible for NDR relief, if applicable. Indeed, in the early years of the Green Freeport's operations, the ramp-up of net NDR relief, which assumes the Council will not make any equivalent contribution to the national pool, plus net retained NDR is anticipated to fluctuate quite substantially and on some sites, will be very gradual.
- The rateable value of future hereditaments will in practice be established on a case-by-case basis by the Assessor. There may be significant delays in obtaining valuations, an issue that may be complicated by the fact that many developers will be operating in new and emerging sectors with little precedent for such valuations.
- All valuations, rating liabilities and NDR relief decisions are subject to the potential for appeal and review which can involve a lengthy process. During any such appeals, the NDR billed amounts are payable by the ratepayer.
- The Assessor is required to undertake a revaluation of all rateable properties every 3 years which can result in values decreasing/increasing or staying the same. Transitional Relief schemes may be implemented by the Scottish Government to limit the impacts for ratepayers and ease in new non-domestic rates liabilities. Revaluations are subject to appeal.
- There is also the possibility for future reform of the NDR system, including changes to poundage rates and supplements.

Investment commitments cannot therefore be made until all these factors are at a much more developed state.

1ci4. Customs sites

Supporting policy objectives

Meeting our objectives for FLOW will involve utilising international supply chains in a way that is entirely familiar to the existing offshore wind and oil and gas port facilities and their operators in ICFGF. Customs procedures are well established with many specialist practitioners already engaged in the region.

Green Freeport customs site benefits will complement the core activity proposed on our tax sites. The potential for customs sites to interact with each other is of particular value to FLOW manufacturing and assembly activity. ICFGF already contains four sizeable port facilities, with additional capacity proposed to be developed, that will host increasing amounts of supply chain activity. Simplifying the administrative processes that might otherwise be involved in moving structures and components between those port facilities and the anchorages on the Cromarty Firth will contribute to the functioning of the cluster as an efficient production line for floating offshore wind farms. This customs site network would extend to other UK Freeports. This will be part of the environment created to host manufacturing capability servicing offshore energy with clear benefits to regeneration, higher value employment and future exports.

Away from the offshore wind sector, the other operators within ICFGF expressing an interest in becoming a customs site over the next few years are all in high value, innovation sectors within life sciences, advanced materials and marine engineering. All of these entities already export, using some imported feedstocks, and have clearly defined ambitions to export more.

Engaging and communicating the potential benefits to prospective customs sites has been underway since well before the announcement of our successful bid and has been enhanced by the permanent employment of staff by the Green Freeport Company. This gives a clear focal point for all enquiries, continuity of engagement and a core of expertise.

The process used, that will be built on further, is:

- Direct:
 - The ICFGF Membership is much broader than tax site landowners. All of them, having been involved in the development of the bid, the OBC and in the work since, are aware of the potential for customs site status and are by definition aligned with the ICFGF objectives.
 - Our communications activity has been continuous from the pre-bid stage. National and local press, speaking engagements with business groups and substantial online activity has maintained the Green Freeport's profile and generated inquiries from individual companies who have current or planned import/ manufacture/ export activity and want to know more about the functioning of customs sites. They have been provided with the HMRC information plus a link to the recorded teach-in with an offer to introduce them to HMRC staff offering further support.
 - We have supported tax site landowners in their business development activities for their sites and provided customs site information to prospective tenants along with the tax benefits information.
- Indirect:
 - Highlands and Islands Enterprise provides account handling and sector support to the candidates for customs site status, and it has provided introductions to those wishing to discuss it. Because of its role in supporting manufacture and export, it is ideally placed to identify companies that could make use of the function and align with the ICFGF objectives. This has been particularly useful in reaching potential customs site operators outside the offshore renewables sector, and those who are not within a tax site but do fall within the Green Freeport outer boundary and so can apply to become a customs site.
 - The Inverness Chamber of Commerce has been involved since before the bid stage and provides export advice and customs agency to its members. In addition to communicating the potential for customs sites to its membership, it has been actively involved in providing support and advice to prospective users.
 - Engagement with Prosper (formerly Scottish Council of Development & Industry (SCDI)) is ongoing, including meetings with its Regional Director and Chief Executive.

- We are working with the Inverness Chamber of Commerce to develop a proposition for SMEs. Discussions are underway with the Chamber of Commerce and HMRC on how customs site operator status could work for SMEs and providing customs agent support for those which cannot sustain specialist resource or overheads. HIE will also continue to facilitate introductions and information provision for SMEs that might otherwise be reluctant to engage.

Criteria and processes

HMRC will not consider customs sites unless they have been proposed by ICFGF Ltd. This ‘gatekeeper function’ is akin to tax site designation in that once granted, the status is a direct award by a government agency and ICFGF Ltd will have limited power to intervene after that point beyond monitoring and reporting.

ICFGF Ltd intends to apply the following criteria:

- The customs site operator’s ability to contribute
 - well paid jobs, and
 - innovation, and/or
 - fair transition to net zero, and/or
 - increased trade and value added.
- The customs site operator’s commitment to
 - Fair Work,
 - security and preventing illicit activity, and
 - data provision to ICFGF Ltd.

These are some of the criteria that tax site landowners have been required to agree to through Tax Site Delivery Agreements (TSDAs – see section 4a), and therefore where the customs site operator is also a tax site landowner, TSDAs will be the prime mechanism via which compliance will be assessed and monitored. This has been the case with our first customs site at Nigg, where the customs site operator is party to a TSDA.

Should a potential Customs Site Operator come forward who is not a party to a TSDA, the process would be a standard application form covering these points followed by further advice from ICFGF Ltd if the application did not cover the points sufficiently and on final submission of an application, a two-month maximum decision process with advice and a recommendation from the CEO going to the Board for decision.

Current status and timescales

The potential to become a customs site is proving attractive to prospective tenants and investors and we expect to see broad take up over the next five years as those businesses and projects begin trading and as the ICFGF Ltd and Chamber of Commerce promote the opportunity and provide support for SMEs.

Global Energy Nigg will be ICFGF’s first customs site, having recently completed the HMRC authorisation process. At the time of writing, HMRC’s Legal Team is in the process of drafting the relevant order, and estimate sign-off in early June 2024. Global Energy Nigg has secured both AEO-C and AEO-S status with specialist contractor support. The customs site operator would be Global Energy Nigg Limited. A letter related to combatting illicit activity from the customs site operator is provided at Annex I.

Cromarty Firth Port Authority is working with HMRC on a potential customs site at the Invergordon Service Base and the inshore anchorages which are critical to future FLOW project construction. The timescale will be aligned with the build out of FLOW projects through ScotWind and/or INTOG. At this time, we expect that the customs site operator would be a single operator, most likely an experienced agent.

We have had expressions of interest in becoming a customs site operator from a number of other entities, but in most cases this is not an immediate prospect as it relates to a particular project, prospective activity

or investment that would not be in position to use the status within the 12 months after designation that the guidance specifies.

Interest ranges from large-scale offshore projects, through specialist manufacturing for export to SMEs. Sites expressing an interest range from small quayside premises, through inland high tech manufacturers' warehouses to the proposed customs sites at the anchorages in the Cromarty Firth.

1ci5. Planning

Since early on in the bid process, ICFGF partners have been working in close collaboration with Highland Council officers and Key Agencies to highlight the potential impact of the Green Freeport and to identify potential planning challenges and opportunities. That collaborative approach started, with the project being identified in the Highland Council's Indicative Regional Spatial Strategy and in various partners' inputs to the National Planning Framework 4, as well as the review of the Inner Moray Firth Local Development Plan. This has led to up-front planning advice and an open and transparent approach to identifying planning issues.

This approach means partners are primed to respond to the challenge of supporting the flagship developments that are expected to be unlocked as a result of the Green Freeport benefits. This work has been integrated with the Council's Place Based Approach – which involves engaging communities and wider stakeholders on the significant benefits this will bring now and in the future – and will be further bolstered by the Scottish Government's planning protocol.

Local Development Plan

The Inner Moray Firth Local Development Plan (IMFLDP), adopted in 2015, sets out the policies and land allocations to guide development in the Inner Moray Firth area. This will be superseded by the new Inner Moray Firth Local Development Plan 2 (IMFLDP2) which is expected to be adopted in the next few weeks. The Council has used the IMFLDP review to ensure it can best support the delivery of the Green Freeport, and the corresponding housing, infrastructure and service requirements.

The new IMFLDP2 seeks to fully reflect and enable the emerging Green Freeport proposals and places significant importance on its delivery to help achieve local and national outcomes. The review process coincided with the preparation of NPF4 and so the IMFLDP planning policies have also been closely aligned to national planning policy, including a bold new policy for Nature Protection Preservation and Enhancement to align with the related national policy. The Council already has a robust strategy and positive policy for business and industry in its adopted Highland-wide Local Development Plan (Policy 41 Business and Industrial Land). The IMFLDP2 also strongly supports the principle of such development on allocated land, with an explicit reference to a flexible approach to supporting employment development related to the Green Freeport.

As the Council looks to gather the evidence for a new Highland-wide Local Development Plan, in line with national legislation, the Council intends to work with local and national partners to finalise its Regional Spatial Strategy to reflect and reinforce the significant impact that the Green Freeport is having for national and local outcomes.

The table at Appendix 2 confirms the planning status of each major development site within the tax sites, including the current development plan status (adopted and emerging), and details of past and present planning applications, and material changes since OBC.

The table confirms that, with the exception of some very small incidental land parcels, the tax sites are allocated in either the adopted and/or the emerging Local Development Plan. The very small parcels of land that lie outwith development allocations are not considered to present any significant issues for delivery and the new Local Development provides a policy that requires flexible and positive approach to supporting these economic/employment developments.

Planning to deliver

Alongside the plan-led approach to delivery, ICFGF has sought to understand and manage the specific issues that will need to be handled in supporting and delivering the Green Freeport proposals. This approach aligns closely with the National Protocol for planning and other consents which the Scottish Government has prepared for the Green Freeports. The Highland Council recognises the need to be flexible and responsive in supporting and enabling this multi-generational opportunity for the Highland region and Scotland.

At an early stage, Planning Advice Packs were coordinated by Council planning officers and provided to all landowners across the ICFGF tax sites setting out comprehensive information on the planning status and relevant issues that will steer future development proposals. Officers continue to provide specialist support and advice on the interpretation of local and national policies and the implications for specific sites, to ensure that any risks can be identified and addressed early on. Both site-specific and strategic infrastructure issues are being identified and sought to be addressed as early as possible as part of the Council's up-front and proactive approach to the delivery of the Green Freeport.

This is also illustrated in the Council's work with port operators and developers over the last few years that has enabled and set the framework for delivery of ICFGF pipeline of development. For example:

- **Inverness Campus.** The Council has been constructively engaging with HIE since the inception of the Campus masterplan and development. This has brought further clarity to the requirements for delivery through the Inverness East Development Brief, and update on which is to be progressed through the Council's LDP Delivery Programme.
- **Former Longman Landfill.** The Council has led a waste management project that secured the delivery of a waste transfer facility which opened in 2023. As part of this process, part of the site required to be de-licensed to allow development to progress, and the Council's environment officers identified and agreed appropriate means of addressing protected species and other biodiversity requirements. Work on a Development Brief is expected to progress in the next few months to shape future development.
- **Port of Inverness.** There has been good working relationships between the Council's planning team and the Port of Inverness through the emerging Local Development Plan to explore how the port can achieve its aims in relation to the Green Freeport. In addition, clear there has been ongoing partnership work to develop active travel routes connecting the port to the city centre that recognise its role as a vital employment destination. The Port are also actively looking at options to utilise Masterplan Consent Areas to bring forward development proposals.
- **Ardersier.** Work is well underway to address the planning requirements associated with the extant planning permissions that will re-introduce the site as one of Highland's offshore port assets. An ongoing liaison meeting with Haventus is to be held from May onwards to guide the implementation of these decisions and enable the Green Freeport proposals.
- **Nigg & Pitcalzean.** There has been a long established and positive relationship between the Highland Council, Key Agencies and site operators which has resulted in large scale and major applications being determined smoothly and quickly. This is a consequence of early and constructive dialogue between all parties and proactive engagement through community liaison groups. Comprehensive pre-application advice was provided taking account of all relevant material planning considerations and ecological and habitat considerations. This identified all considerations that required to be addressed and for which information was needed with the application. This has resulted in expansion of the port and most recently approval of the first Green Freeport development in the form of the Sumitomo Cable Factory. It is understood that further investment in port infrastructure will be unlocked on the Pitcalzean part of the tax site.
- **Deephaven.** There has been constructive dialogue and pre-application advice provided for the site for proposals that would play an essential role in achieving the aims of the ICF Green Freeport.
- **Port of Cromarty Firth.** Although the port is a formal Port Authority and therefore has a degree of autonomy on planning decision, they have consulted the Council and Key Agencies on development

proposals over the years and will be encouraged to engage early to ensure that all checks and procedures are in place from the Council and other regulators.

The work set out above sets the scene for positive, ongoing partnership and collaborative working to deliver the Green Freeport proposals. Whilst the full suite of detailed developments are yet to be confirmed, the ongoing ways of working and partnership approach will allow for all associated planning requirements to be carefully considered in line with local and national planning policy requirements.

The ICF Board have agreed that all ICF developments will use the Council's established Pre-Application Advice Service to guide ICF developments. The Protocol is a non-statutory framework committing all parties to work together to facilitate the planning process and wider associated consenting processes, in tax sites, custom sites and seed funded projects of designated Green Freeports. Furthermore, the Council have committed to an enhanced level of service being provided to ICF related developments. Key Agencies are also signed up to this enhanced way of working in line with Scottish Government's Planning Protocol. More technical and specialist issues will be coordinated with Council officers, Key Agencies and other regulators. This includes noise and vibration controls associated with environmental permits, and marine consenting and licensing that will be given special attention and have been flagged appropriately in the risk register.

The Council has engaged Key Agencies (including the Marine Directorate's Licensing Team), Scottish Government and partner organisation to advise the ICFGF team on the interpretation of local and national policy and tailoring these requirements to the unique attributes and characteristics of the Green Freeport sites across the Cromarty and Moray Firths. This has helped shape headline outcomes and requirements for biodiversity and transport that are set out in the ICF Net Zero Charter that all tax site landowners will take responsibility to deliver.

To bolster these arrangements, and to allow for the range of developments that are likely to emerge, the Council will be working with the Key Agency Group to identify and tailor the processes and requirements for assessing a suite of development types. The Council is also setting up an internal ICF Delivery Group who will work with partners to assess the most appropriate mechanism for delivery. This includes consideration of where Masterplan Consent Areas might be utilised following the Council's Economy & Infrastructure Committee agreeing to the principle of their use to support Green Freeport developments and associated infrastructure.

The principle of unlocking innovative upfront infrastructure funding models is also being explored to enable the fast and efficient set up of the Green Freeport. Council planning officers and the ICFGF Ltd CEO are working collaboratively with the housing industry to accelerate the delivery of housing sites to support the future workforce that is expected to be generated over the years ahead. Detailed analysis is being carried out on housing needs for the Green Freeport based on the jobs profiles and timeline of developments expected to emerge.

Meanwhile the Council is facilitating the preparation of Area Place Plans for Easter Ross and Inverness – and is supporting the Black Isle and Nairn communities to prepare their own plan – which is hoped to capture some of the significant positive impacts that the Green Freeport will bring and help address a range of regional and national outcomes for communities in the area.

The processes and resourcing measures related to the planning workstream are intended to respond to the full scale of development proposed and a timeline for delivery will be kept up to date to monitor this closely. Even if just 50% of the overall opportunities were realised, operations and outputs at the ports and across the manufacturing base will increase considerably. Similarly, the corresponding planning and environmental workstreams will be dynamic and responsive in providing planning advice and support and enable the delivery of such projects.

1ci6. Innovation

Innovation Strategy

A full strategy for Innovation for the Inverness and Cromarty Firth Green Freeport has been developed in partnership with our stakeholders. The Strategy was developed with support from the Freeports Hub who

carried out a detailed Innovation survey covering current assets, barriers to innovation and potential innovation support.

The Strategy is attached to the Full Business Case as Annex J.

Opportunities for innovation in the Green Freeport area

Inverness and Cromarty Firth Green Freeport (ICFGF) sits at the heart of the UK's energy transition. The Highlands are currently home to more renewable energy sources than any other region in the UK with a history stretching back to the great post-war hydro schemes right up to the large scale onshore wind farms of the 21st century.

ScotWind now puts the region and the Green Freeport at the heart of the revolution in green energy – not just offshore wind but green hydrogen, energy storage, manufacturing and the decarbonisation of heat and transport. Eleven of the 20 new sites in the ScotWind leasing round are offshore from the Highlands and Islands, bringing substantial opportunities for manufacturing, assembly and operations and maintenance. Using the Green Freeport to secure these opportunities for the region creates a hub of innovation and skills in green energy which can be exported around the globe.

Innovation will be the key to this green energy revolution, building on significant expertise and infrastructure in the Cromarty and Inner Moray Firth through the ports of Cromarty Firth, Nigg, Inverness and Ardersier. The area has a proven record in renewables, and an experienced local supply chain with clear potential to maximise the opportunities that derive from offshore wind.

The region is well-placed to develop a significant hydrogen presence due to abundant resources and proximity to domestic and European markets and this sector will require innovation to mitigate current barriers to progress.

Other renewables are well represented in the wider Highlands and Islands including hydro and pumped storage as well as a significant pedigree of innovation in wave and tidal energy centred on Orkney.

The Inverness Campus is home to a cluster of high growth life science businesses and academics co-located with the NHS and public sector support. The Life Sciences Innovation Centre is a recently opened healthcare research centre, alongside the Rural and Agriculture Innovation Centre which specialises in the blue and green economies; most notably, epidemiology, zoonosis and infectious disease control. The ICFGF will enable a new phase of expansion at the Campus with continued focus on developing innovative life sciences businesses while also expanding its attraction to companies supporting other key themes such as FLOW, port innovation, hydrogen, the renewables supply chain and the emerging space industry cluster in the Highlands.

Engagement with innovation stakeholders

The development of the ICFGF Innovation Strategy has involved a range of stakeholders, including NMIS, ESP, UHI and HIE who will also support its implementation. The ICFGF is focussed on ensuring that we maximise engagements 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. A detailed list of stakeholder engagements and potential stakeholders is included in the Innovation Strategy.

5a

Strategy and projects

High-level strategic priorities for innovation

The Innovation Strategy demonstrates how the ICFGF will create a transformative and once in a generation opportunity for our region to lead the world in innovative approaches to energy transition. It will achieve this by accessing cutting edge expertise from the existing innovation ecosystem – universities, Innovation Centres and NMIS and by accessing business support through government agencies, trade associations and business networks.

Barriers and opportunities

The Inverness and Cromarty Firth Green Freeport engaged with the Freeports Hub to review the regional innovation landscape and to identify opportunities for the ICFGF to provide additional services and support to unblock any identified innovation barriers.

The process used is summarised below.

Figure 3 – Innovation review process



The process identified barriers to innovation across the 4 key Themes for innovation for the ICFGF and produced a prioritised list of opportunities. The outcomes of this work form the basis of the Innovation Strategy.

The PowerHouse

ICFGF's Innovation Strategy will be co-ordinated by the PowerHouse which has been established to grow innovation capacity and to co-ordinate innovation support and funding within the Green Freeport. The PowerHouse will:

- Create an innovation network across the Green Freeport enabling businesses to benefit from peer to peer learning, create opportunities for collaboration and support problem solving.
- Bring together consortia to make funding bids, identifying suitable funds, supporting the application process and identifying and filling gaps in any expertise needed.
- Act as a hub for businesses to find innovation advice and support either directly or by bringing in the relevant players across the support ecosystem.
- Develop, market and administer an annual innovation challenge fund.
- Develop and host a range of events that will inspire and educate businesses and increase demand for innovation support.
- Monitor all innovation activity, tracking against targets and reporting as required.
- Use its skills agenda to inspire innovative mindsets in young people through an engaging STEM agenda.

The PowerHouse and its innovation services is intended to extend beyond the ICFGF boundaries and to support innovation in the supply chains of the key industrial sectors that are the ICFGF's focus.

The innovation survey also identified three proposed services to be delivered through the PowerHouse to address specific barriers to innovation and these are detailed in the Innovation Strategy and summarised below:

- Regulation advisor and conveyor – a service that uses the Green Freeport's influence and the FREN support to convey a unified voice and seek regulatory easement with regulatory bodies in representation of industry and tenant needs.
- Matchmaking – 'Creating Connections' - a matchmaking service with a focus on making local and international introductions. It will facilitate connections between developers, emerging startups, and the existing supply chain to provide innovative solutions to emerging markets.

- Knowledge sharing – Facilitate local and international knowledge-sharing initiatives to foster continuous innovation in focus areas, attract global attention from companies developing new technologies in the space and guide grant funding bodies towards focus areas and technology challenges.

Themes

The key themes for Innovation will be focused on the sectors most able to benefit from the ICFGF status. These are offshore wind, hydrogen, port developments, marine technology, advanced engineering, and life sciences. A detailed discussion of barriers and opportunities for each sector is included in the Innovation Strategy.

Strategic alignment

The Innovation Strategy has a broad strategic alignment across UK, Scottish and local economic strategies. In particular, there are strong overlaps with the aims of the UK Innovation Strategy (2021) across pillars for 'Unleashing business' and 'Institutions and Places' as well as the Scottish Government's National Strategy for Economic Transformation' (2022) with its aims to 'make Scotland's businesses, industries, regions, communities, and public services more productive and innovative.' A full discussion of strategic alignment is included within the Innovation Strategy.

Projects

A wide range of site and business specific projects are proposed by the ICFGF consortium partners. In addition to this are a range of Green Freeport wide initiatives that will be implemented to enhance and coordinate the existing ecosystem. This includes cluster management, an innovation network and funding to support capacity building.

A detailed list of proposed innovation projects is included in Appendix A of the Innovation Strategy.

Resourcing

The delivery of the Innovation Strategy will be co-ordinated by The PowerHouse, a department within the ICFGF Company with a specific focus on innovation and skills.

Other stakeholders are already active within the ICFGF and will work closely with The PowerHouse to align services and resources within the boundary ensuring businesses can access the right support.

The majority of the site specific projects will be delivered and resourced by the private sector.

Funding

Funding for innovation within the Green Freeport will be allocated through the PowerHouse which will take the lead on securing and allocating a range of funding from retained National Insurance contributions (NICS), public sector sources and the private sector project leads. External sources of funding will also be sought in collaboration with partners.

Governance

The ICFGF Company will oversee the implementation of this strategy with input from an Innovation Advisory Group. The Innovation Advisory Group (IAG) will include representatives of the tax sites, UHI, other universities and HIE and will provide a cohesive vision for innovation across the ICFGF.

The PowerHouse is responsible for delivery of the strategy working with partners across the ecosystem as required.

Measurement and evaluation

Innovation metrics and timelines for implementation are detailed in Section 3 of the full Innovation Strategy.

1ci7. Trade and investment promotion

This section outlines the ICFGF'S approach to trade & investment promotion, and summarises the overall trade & investment strategy provided in Annex K.

The attraction of high-quality inward investment and growing exports / increasing trade activity are key priorities for both UK and Scottish Governments, and core objective of the Scottish Green Freeport programme. ICFGF is required to identify and deliver trade and investment services that are additional and targeted to address business needs.

Governance and resourcing

The Green Freeport Trade and Investment strategy, along with the outcomes, will sit with the CEO and the Board for overall responsibility.

To implement and deliver the strategy the Freeport will recruit a Development & Investment Manager, following the approval of the FBC who will report directly to the CEO. Furthermore, a T&I Advisory Group will be established which will provide advice, direction, and support to the Green Freeport in pursuit of their objectives. The ICFGF team are already working closely with partners, but a group will be formalised to include DBT, SG, SDI, SDS, THC and HIE. This will also ensure complementarity and additionality of the ICFGFP offer. Further information on this is outlined in Annex K.

Partnership working will be critical to the overall success of the ICFGF Trade & Investment Strategy, and the advisory group will be key to ensuring a joined up and maximised offer for potential investors and trade clients.

Annex K includes the roles and responsibilities of the Green Freeport Company, landowners and the support agencies.

In order to ensure that the objectives of ICFGF and both Governments are met landowners in ICFGF are required to sign up to a tax site delivery agreement ensuring that all activity is alignment with the four key objectives.

Working with DBT, SG, SDI and Enterprise Agencies

Trade & investment support overview

The Department for Business & Trade (DBT) DBT is the UK Government department for economic growth working to support businesses to invest, grow and export, creating jobs and opportunities across the UK.

Scottish Development International (SDI) is Scotland's national trade and inward investment agency, helping businesses from around the world do business in or with Scotland.

At a regional level Highlands and Islands Enterprise work as part of Team Scotland to attract new Inward Investment, grow the existing investor base and stimulate and grow the value of export's generated from the Highlands and Islands.

Further information is supplied in Annex K on how the various agencies come together as part of 'Team Scotland' but the approach promotes strategic partnership working at local, regional, national and international levels with the aim of continuing to build Scotland's reputation and reach into international markets.

This is achieved by providing information, advice, targeted support and partnering with businesses and investors that want to set up, invest or trade with Scotland, and helping businesses find the connections they need across the globe.

Trade support

The current export support offer to Scottish companies via SDI, Scotland's enterprise agencies, DBT and other public sector partners is expansive. The support is intended to raise awareness, ambition, develop export capability and support companies to drive up levels of exporting. The majority of support mechanisms are available to all Scottish companies and will be a key lever in increasing trade through the Green Freeports.

ICFGF will facilitate introductions and embed good working relationships across the trade support providers and businesses situated within the Green Freeport to ensure support is fully utilised and the export growth potential from the Green Freeport is realised.

Trade support from SDI, DBT and HIE cover all aspects of exporting including international market research, strategic planning, export finance, market opportunities, export related funding, sector specific trade support, missions, market entry and knowledge building around moving goods across borders. The support comes in various forms including tailored one-to-one support, programme and workshop activity, digital self-serve, and peer support. At Government level, economic diplomacy and Ministerial intervention can provide strategic engagement and policy led opportunities.

Businesses will be supported to capitalise on the knowledge, experience, connections, and in-market supply chain opportunities identified by the network of SDI/DBT trade specialists in over 100 international markets. Both SDI and DBT invest in trade promotional activities to create awareness and demand in target international markets for Scottish and UK products and services, which will also be of benefit to businesses with the Green Freeport.

The ICFGF team will support the trade objectives as follows:

- Articulate the breadth of trade support available from the enterprise agencies and across the wider public sector. This includes Scottish businesses situated within the Green Freeport and those international inward investors which have potential to export at scale once established within the Green Freeport.
- Align export support provided by the Green Freeport with the existing support landscape.
- Align trade promotional activity by the Green Freeport with that of the enterprise agencies and seek out opportunities to collaborate and profile the Green Freeport as part of wider trade proposition development.
- Seek to steer alignment of the businesses' strategic export growth ambitions with those of the enterprise agencies and the sectoral and market focus of the Green Freeport.
- Introduce businesses to wider trade initiatives being led by the enterprise agencies where there is potential for joint working, particularly those aligned with priority sectors and markets.
- Support businesses in understanding the tax, duty and tariff benefits and simplified customs processes applicable within the Green Freeport customs sites and how these levers can reduce their costs and increase their international competitiveness.
- Where required, make introductions via the enterprise agencies, to providers of specialist consultancy and support around the more technical aspects of international trade. For example, VAT, licensing, compliance, international trade skills development and logistics expertise.

Inward investment support

The Team Scotland/UK approach concerns proactive targeting of opportunities that will create not only jobs but also bring wider spill over benefits that will positively impact Scotland's regions and wider UK economy.

The focus is on opportunity areas where Scotland and UK's strengths meet the world's needs, intersecting with global investment flows. The approach focuses the investment ecosystem to attract inward investors aligned with values of fair work and a net zero, low carbon future.

In a practical sense SDI and DBT undertake lead generation activity, networking and identifying new opportunities for inward investment, proactively identifying companies with high propensity to invest. This involves identification of target companies for outreach, researching prospects, developing, and implementing the engagement strategy for target companies.

Business development work focuses on managing the pipeline of inward investment sales leads and projects, driving the volume and velocity of projects progressed to the stage that Scotland is on a shortlist of locations competing for investment.

SDI's Global Companies team, HIE's Client Engagement Managers and DBT's Strategic Relationship team additionally manage strategic existing inward investors in Scotland and encourage expansion and re-investment projects with these companies.

DBT and SDI offer an extensive international footprint, promoting the UK and Scotland around the world and focusing inward investment resource on opportunities that will create sustainable economic impact including offshore wind, hydrogen, green heat, software & IT and space industries.

Establishing Green Freeports as hubs for global trade and investment is a key policy objective of the Green Freeport programme. The economic impact includes the establishment of new industries, the leveraging and enhancement of existing economic activity, increased quality of opportunity for employment, higher wages, productivity gains, increased exports, and regeneration of communities.

The strong vision at both Green Freeport and site-level will serve to complement, align and inform SDI and DBT proposition and marketing activity. The enhanced asset base and attributes surfaced through the Green Freeport can further build the case for investment in sectors and subsectors targeted by SDI and DBT internationally.

The Green Freeport can interface with SDI and the partner agencies regionally in Scotland, and with DBT functions in Edinburgh and London, including the Office for Investment which supports the landing of high value investment opportunities into the UK aligned to priorities, such as reaching net zero, investment in infrastructure and advancing research and development.

Where an inward investment is considering multiple locations within the region then the ICFGF will act as an independent broker to promote the best solution for the economy and the community.

Global capital investment will play a role in meeting objectives around Net Zero, place making and inclusive economic growth. Scottish Government's Global Capital Investment Plan 'Investing with Purpose' focuses on attracting productive forms of private capital investment, by creating the right market conditions, in a way that is consistent with values. This supports Environmental, Social and Governance (ESG) investment with four economic themes identified aligned with international comparative advantage:

- low carbon transition
- health and life sciences
- digital
- high value manufacturing

These four economic themes are supported by a fifth priority around 'place', with an emphasis on developing clusters of expertise and investment attraction.

Alignment with UK & Scottish Government policy

ICFGF aims to deliver on UK and Scottish Government trade and inward investment strategies. ICFGF objectives are aligned with the major strategies of both Governments such as the Scottish National Strategy for Economic Transformation (2022) and Levelling Up the United Kingdom (2022), among others. How ICFGF aligns with these strategies is fully detailed in Annex K.

Export services – barriers to trade and the role of ICFGF

In order to prioritise which services ICFGF should provide to exporters the barriers they may face and the existing support network has been analysed. It is crucial that ICFGF do not duplicate existing support and provide a signposting role to existing provision in the first instance, ensuring any support provided by ICFGF is fully additional. Where the required support is not available ICFGF will work with partners to provide support. Annex K provides a detailed analyses of the barriers to trade and potential actions that may be undertaken by ICFGF and partners to mitigate these. 5 key areas where ICFGF and partners could potentially provide support have been identified and are Research and Analysis, Signposting, Connecting and lobbying, Events and Marketing, Relationship/Account Management

Investor journey – investment to export

In order to illustrate what export support would look like in practice an example investment to export journey has been developed for a sub sea cable manufacturers investing in ICFGF. This focuses on the potential support areas identified in the export services section. The full road map is provided in Annex K.

Exporters logistical business needs

ICFGF is ideally situated to support exporters in the target sectors. This is demonstrated by analysis of the storage, transport/distribution and export services on offer within the region. Focusing on the existing and planned investment by landowners and the key supporting infrastructure linking the region to export markets, ICFGF's potential to become globally competitive in the chosen sectors is evidenced.

Monitoring and evaluation

Monitoring and evaluation requirements for trade and inward investment have been provided by Government. In order to comply with these a Compliance and Monitoring Officer will be employed by ICFGF subject to FBC approval. Full details of the KPIs are contained in Annex K.

1ci8. Skills and Fair Work

Importance of skills

If the area and the region is to capture the potential value of the ICFGF, and if the benefits are to be fairly distributed, then there must be the right supply of skills in terms of volume and skills mix. People must also be able to access the learning and skills development they need to benefit from the opportunities. This will require investment in skills infrastructure as awareness raising.

Green Freeports, in particular, are intended to support a Just Transition and typically support businesses focused, or working on, decarbonisation. Re-skilling those currently working in carbon-intense industries, such as oil & gas, and upskilling young people in the region with 'green skills' can help to support Net Zero ambitions and develop sustainable employment in emerging 'green sectors' such as Renewable Energy. The ICFGF can support all six priorities laid out in the Climate Emergency Skills Action Plan if it is successful at influencing the regional labour market.

The development of a successful ICFGF can also help to boost skills development in the region. It can achieve this through the promotion and attraction of investment in the region and into the region's workforce. Leveraging analysis of skills demand and supply, and coordinating with or establishing local partnerships that can shape skills provision, will be central to this and achieved through:

- Aligning resources and planned activity with [Highland Council's Delivery Plan \(2024-2027\)](#), Workforce for the Future Portfolio.
- Fair Economy for all
- Leveraging existing regional analysis of skills demand and supply;
- Working closely with UHI to achieve the shared vision outlined within its [Strategic Plan 2030](#) to attract, nurture and retain talent in our communities; supporting innovation, social and economic prosperity through the innovative delivery of flexible lifelong learning focused on employability, skills and research;
- Coordinating with local partnerships that can shape skills provision;
- Investing in skills as part of the overall ICFGF package, using available policy levers and mechanisms (e.g., retained non-domestic rates and contributions from businesses locating on tax sites).⁶

⁶ FBC Additional Guidance: Skills Plan', (Freeports Hub)

We will map industry requirements against educational and skills development output. The Highland Council will play a critical role in shaping the primary and secondary education apparatus to support the creation of a new energy workforce for the region. This partnership will be key to our long-term ambitions, and further detail on this is provided at Annex L.

The market facing part of our workforce and apprenticeship activity will be a strongly branded campaign, with aim of projecting the scale and significance of what will be Scotland's largest apprenticeship programme. Work is ongoing with our target market in terms of which campaign name would resonate best, but *Next Energy Workforce* (NEW) is emerging as an early front-runner.

These actions come together in the Inverness and Cromarty Firth Ten Point Plan for Skills which combines current and planned skills activity, driven by existing and new funding from the ICFGF. More details on each priority area can be found in section 4.3.

We know that the key sectors affected by the ICFGF will be renewable energy, life sciences and marine technology, plus associated supply chains.⁷ Evidence suggests there is a case for a significant increase in the total numbers of people needed to meet the future ambition of the energy sectors.⁸ The ICFGF will positively contribute to this increasing trend and bring important skills benefits to the Highland and Moray.

The commitment to Fair Work

Skills and Fair Work are foundations of our Green Freeport plans in ICFGF and our plan for embedding Fair Work practices covers all major aspects of the Scottish Government's guidance, both at a tax site level and wider Highland and Moray area. These will be delivered through a programme of targeted skills activities and a shared commitment to Fair Work First principles.

The ICFGF Fair Work Charter has been developed (Annex C) in partnership with Forth Green Freeport and is an important requirement of Tax Site Delivery Agreements (TSDAs), supporting the implementation and management of Fair Work locally. The charter is based on the principles of the Scottish Government's Fair Work First guidance and the Fair Work Convention's Fair Work Framework. The principles and examples of best practice are captured in 5 clear dimensions as set out in the Fair Work Convention's Framework.

Tax Site Delivery Agreements (TSDAs), described in detail in section 4a, require landowners, end users or connected employers to contribute financially to a skills fund, enabling the delivery of a ten-point plan for skills and importantly the Fair Work charter.

The charter recognises that not everyone is able to meet all criteria at once and therefore allows for businesses to map out their journey to always consider Fair Work First, ultimately addressing deprivation through the creation of fair, high value jobs, building on the good practices that are already happening in workplaces and widen these out.

Given that we are expecting all tax site landowners and end users to sign up to the charter, it is designed to cater for all sizes of companies, providing the flexibility to be applied from start-up SMEs to large multi-nationals operating within the tax sites, hence the distinction between 'aspiring', 'achieving' and 'excelling'.

We are confident that the Charter is not viewed by our stakeholders to be a burden, but as an opportunity to work with ICFGF to address deprivation through the creation of fair, high value jobs.

The role of ICFGF will be to promote and encourage employers to adopt the Scottish Government Fair Work First principles. We will do this through the promotion of the ICFGF Fair Work Charter.

Resourcing

We have a good understanding of the capacity of the education providers and will maximise the use of our network of providers to meet the needs of local communities and employers. The PowerHouse has been established within ICFGF to drive skills and innovation and currently has 63 member organisations and

⁷ Inner Moray Firth energy skills: Market demand and displacement assessment by SQW

⁸ Offshore Energy People and Skills Intelligence Report – Scotland by Opergy Group

continually expanding to include the best of provision nationally, regionally and locally, ready to meet the emerging needs of employers.

We will then add value by attracting further investment in skills through the use of contributions from employers based on a proportion of National Insurance Contributions (NICS) reliefs, which will be reinvested via the ICFGF Skills and Innovation Fund. Based on current forecasts this is anticipated to generate approximately £15m of funding over 7 to 10 years. Should it be deemed necessary, the non-domestic rate fund may also be directed to workforce development. This will provide skills and training for employers as well as developing the skills of local people. It is important any funding addresses the identified gaps and works alongside the existing skills ecosystem. To achieve this, we will proactively engage with local careers and employment support to ensure opportunities reach deprived people or areas.

This fund will provide skills and training for employers as well as developing the skills of local people. Bi-annual funding rounds will ensure that the funds are allocated to increase skills and support gaps in training provision. The funding cycle will be reviewed with stakeholders to ensure training meets the ongoing Green Freeport requirements.

Partnerships

We are also actively engaging with key funding and delivery partners such as Highland Council, SDS, University of Highlands & Islands (UHI), Highland Employability Partnership, DWP and local Developing the Young Workforce groups to identify how we can align with current activity and funding to develop future plans. The skills plan contains a comprehensive mapping exercise of complementary activity taking place and partnership opportunities.

The Skills Plan recognises that Green Freeport is only one entity working within an ecosystem around skills, employment and growth. ICFGF has established formal relationships with key stakeholders, partners and existing regional/local strategic and delivery bodies. It is proposed that the PowerHouse Manager will join the Highland Employability Partnership (HEP), supporting the implementation of local and national employability policy and enabling the delivery of a range of employability services to an all-age client group, with a focus on those who have barriers.

ICFGF will deliver a programme of targeted interventions which engage the workforce locally, playing a critical role in ensuring the necessary skills are available in the local labour market. As part of the wider programme, our focus on attracting talent will not only benefit employers but also help address the region's population challenges, acting as a vehicle for levelling-up the economy.

An analysis of the local labour market

A full detailed socio-economic and skills analysis has been produced to provide benchmark data, informing our understanding of skills gaps, as well as supporting the development of SMART actions and outputs. Summary findings of this analysis are included in the Skills Plan with the full insight and intelligence available in Annex A of the plan and available to Government(s) and partners.

Key headlines include:

- The population of Highland and Moray has increased in recent years; however, it is forecast to decrease in contrast to Scotland's population by approximately 3%.
- The dependency ratio for both Highland and Moray is higher than Scotland, the working age population is lower than the national average (61% compared to 64%) due to an aging of the area's population, out migration of young talent and lower levels of migrant labour (EU and non-EU) than in the rest of Scotland and UK.
- The employment rate in relevant sectors in Highland decreased significantly from 81% to 72% from 2018 to 2022, with little signs of recovery to pre-pandemic levels.
- Median annual wage is lower in Moray (c £27k) and slightly lower in Highland (c.£29k) than the national average wage (c.£30k)

- Energy is a relatively highly paid sector in Scotland. In 2023, average pay for people working in Energy was £905 compared to £703 for employees in all sectors.
- Highland and Moray have a higher rate of 16–19-year-olds in employment than Scotland as a whole (24% and 22% compared to 18%) whereas Scotland has a higher rate in education (73% compared to 68%).
- Approximately 12% of Highland data zones are in the most deprived quintile in the country (decile one and two) whereas only 4% of Moray data zones are in these deciles.
- The area is already home to a highly skilled workforce. The oil and gas workforce has medium-high skills transferability to renewable energy sector.
- There is good skills infrastructure in the region. In Highland and Moray, college enrolments on courses of relevance are increasing overall, and are also comprising an increasing proportion of overall enrolments in the area. Modern Apprenticeship starts are also increasing.
- The number of Highland domiciled students has stayed largely the same, with fewer students going to UHI and more going elsewhere in Scotland, which indicates an outward migration of young people.
- UHI students in energy relevant subjects are condensed into fewer subject areas than the national average, and the average for Highland domiciled students, potentially indicating a lack of provision in these subject areas.
- UHI students are less likely to be in professional roles upon graduation, instead going into skilled trades, and sectors such as manufacturing.
- Highland domiciled HE students are more likely to be enrolled at the UHI than other Scottish students.
- MA starts (19%), and College enrolments have increased (7%), since 2019, with the average student age also increasing due to more over 25s enrolling. UHI enrolments and achievements have decreased significantly (-21% and -25%) as well as the number of H/D UHI cohort (-14%).
- MA enrolments and college enrolments in energy related subjects have increased in the three-year period analysed. Moreover, there has been an increased diversification of college enrolments in terms of age, with more over 20-year-olds now enrolling in energy relevant courses, and more female enrolments.

Assessment of ability to upscale supply

In the 2021/22 academic year, there were a total of 5,949 starts/enrolments on courses and frameworks relevant to the energy industry in Highland and Moray, across apprenticeships and further and higher education. Broken down these are 10 Foundation Apprenticeship, 24 Graduate Apprenticeship, 715 Modern Apprenticeship, 3,300 college starts, and 1,900 University of the Highlands and Islands (UHI) FPE equivalents.⁹ There are a further 1,800 Highland domiciled university students who do not attend UHI, but study elsewhere in Scotland instead. This means that around 6,400 students are potential labour market entrants for relevant sectors, versus a current employment figure for energy relevant roles in 2022 of 1,595.

However, achievement/qualifier rates are of an order lower. Further, for college leavers, it is estimated that only around half enter employment based on Scotland level data.¹⁰ In addition, whilst 80% of university qualifiers enter either part- of full-time employment in some way, only a small proportion enter relevant sectors – around 9% enter manufacturing, and 4% enter Electricity, gas, steam and air conditioning supply, for example. Also, a smaller proportion of UHI qualifiers enter professional, associate professional and technical, and skilled trade occupations than nationally. This suggests that lack of real work experience may be a barrier to role entry for university students in the area.

⁹ University and college data are rounded to the nearest 5, and some apprenticeship data is suppressed, therefore the total may be slightly different.

¹⁰ Scottish Funding Council (2023) College Leaver Destinations (2021-22) available online, <https://www.sfc.ac.uk/wp-content/uploads/2024/03/College-Leaver-Destinations-2021-22-revision-March-2024.pdf>

While recent research indicates that more students are moving for work, post-graduation, almost half of graduates (47%) remain in the same city in which they studied.¹¹ It is therefore likely that a high percentage of Highland domiciled students who move away to study, will not return to the Highland and Moray for jobs. These students are then lost and will not contribute to the energy sector in Highland and Moray.

Current qualifiers in energy relevant subjects are not sufficient to fill the roles required for the energy sector in Highland and Moray. These are decreasing at the University of the Highlands and Islands, while Highland domiciled students are stable, suggesting these students are studying elsewhere, where many of them will stay. Attention is required to address this disparity, and increase the provision of education in energy relevant frameworks in Highland and Moray, or attract Highland domiciled students back into the area upon graduation at a different institution.

Skills gaps

In addition to the headline findings of our desk research, primary research undertaken by SDS and The PowerHouse with local employers provides qualitative data on in demand skills beyond the technical and professional skills. Feedback was sought from a number of employers who are/will be operating within the Green freeport. Broadly speaking, the skills requirements can be split into three phases:

- In the first phase, the immediate skills shortages are around planning, consenting, designing and environmental.
- For the second phase, there is a general shortage of people, but from a skills perspective, the key shortage areas include construction and fabrication (notably welders, with a need for concrete pourers, joiners and steelworkers), engineers, electricians, wind turbine technicians, marine operatives, and people with warehouse (including forklift), marshalling and logistics skills.
- For the third stage, some of these skillsets will still be required, and future roles are likely to focus on maintenance with technicians and electrical engineers in demand. For some roles, this will require experience of working at height, working with hydraulics and working with specific pieces of equipment/machinery.

Job estimates

The level of additionality for the Green Freeport area is relatively High. New ‘bottom-up’ analysis suggests that, with the full allocation of seed capital, the potential pipeline of development on tax sites over the next 25 years could result in the creation of 18,300 jobs for the UK, 11,300 of which would be in the Highlands. These figures focus on jobs created through the delivery of the proposed tax sites only. We recognise the wider benefit to the region’s economy and impact on the labour market, so the ICFGF will work with the Scottish Government’s National Skills Planning function as well as local and regional partners, to take a holistic approach to meeting wider skills planning.

There is a shared ambition with Highland Council to co-deliver a regional workforce strategic regional response to cross sectoral requirements from other transformational projects competing for labour. Many of the skills required in the Freeport will be required in other sectors. Project managers, electricians and those with digital skills will be in high demand in the energy sector as well as construction, transport and other sectors. Businesses are already facing challenges recruiting from these skillsets not just locally, but in some cases, globally.

Other ScotWind projects within the region also provide significant economic opportunities for port and harbour developments across the Highlands and Islands, for example including in Kishorn, as well as decommissioning activity, spaceports, critical infrastructure projects and housing. Whilst not specifically modelled as part of the occupational demand modelling (which focused on the operation of the Green Freeport), the planned investment will also drive considerable demand for construction jobs.

¹¹ HESA (2022) New research shows more graduates moving for work, available online: <https://www.hesa.ac.uk/news/29-11-2022/new-research-shows-more-graduates-moving-work>

Ten Point Plan for Skills

The plan considers the outflow of labour coming from education and gaps in provision and will address the gaps in labour supply, mitigating the risks of employers experiencing skills shortages. It also includes wider interventions which will improve the quality and fairness of employment.

The Skills Plan contains full details of:

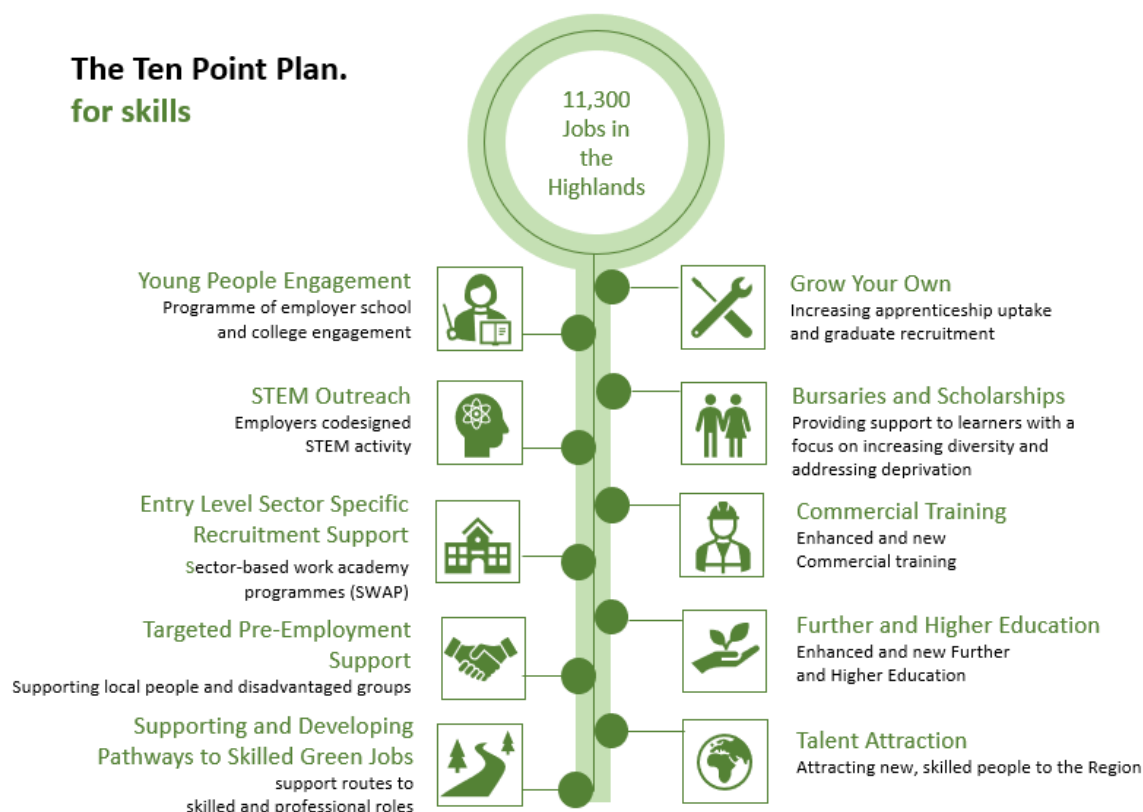
- Existing skills provision in the ICFGF area and how it is addressing the identified gaps.
- How ICFGF is planning to encourage employers to engage, with local and national skills stakeholders, including colleges and skills providers and DWP.
- Our plan for providing relevant training opportunities.
- Our plan for encouraging/incentivising employers to provide employment and progression in work for those from disadvantaged groups, those not currently in employment, and those in low-paid work.
- A summary of the skills initiatives the Green Freeport will fund/deliver and a clear commitment to investing in the upskilling/retraining of the workforce and how we will access existing skills funding and aligning with relevant local and national strategies.

The Ten Point Plan for Skills is aligned to our priorities, with each priority area addressing a range of identified skills gaps. It recognises the requirement to provide a ladder of opportunities, from school pupils being informed of emerging opportunities, to targeted interventions for the unemployed, those on low wages as well as those in employment requiring upskilling and reskilling.

There is a focus on additionality, not displacement. The plan also includes talent attraction and retention as a priority, for example encouraging previously Highland domiciled Higher Education students to return to the region

In addition to these key interventions, we know that labour supply and skills availability is also impacted by (and impacts) other enabling factors such as availability of housing, education and public transport. ICFGF is well aware of these and is already working strategically with key partners, such as the Highland Council, for opportunities to mitigate these factors.

Figure 4 - The Ten Point Plan for Skills



Governance

ICFGF has overall accountability for the delivery of the Green Freeport proposal as set out the in the FBC including skills, workforce development and upholding the Fair Work principles across the tax and customs sites. Further details on full governance arrangements are set out in Section 5a of the FBC Management Case.

Given the importance of skills, ICFGF Ltd has established a Fair Work and Skills panel, known as the PowerHouse Advisory Panel, which will advise on the development and delivery of the both the Fair Work Charter and Skills Plan, advising the Board on skills related investments and compliance with the Fair Work Charter.

The ICFGF Board will determine the guidance under which any private sector funds are distributed to support skills development. If required any specific award decisions will be deferred to the main Board. There will be commonality of members in both the Board and Advisory Panel through the CEO acting as a skills champion.

The PowerHouse is the brand we are using to promote the function responsible for the Green Freeport's Fair Work and Skills delivery. The PowerHouse Manager is a member of the core ICFGF team and integral to the effectiveness of our governance arrangements. This role has responsibilities for day to-day oversight and monitoring of Fair Work and Skills. Financial accounting is an outsourced function but the PowerHouse will be managed as an integral part of the ICFGF company and will be monitored by the CEO and ICFGF board. The Skills Plan contains a RACI table which sets out the range of responsibilities within ICFGF board, sub committees and key roles.

As is identified elsewhere in this submission, the Innovation agenda will also be addressed within the PowerHouse function of the ICFGF. We believe it is advantageous to have the innovation and skills development closely aligned. The PowerHouse working group includes offshore wind consortia, academic providers, and developers. This is proving to be a strong brand on which to build this activity and generate profile locally, managed by the PowerHouse Manager.

1cii. Wider interventions

Appendix 3 provides a summary of the wider activity taking place in and around the Green Freeport geography that will support the Green Freeport to realise its objectives.

It summarises the objectives of the intervention, the value, how it will be funded, timescales, geography and fit with the Green Freeport's objectives.

The ICFGF Board is configured to ensure ongoing alignment with key regional bodies who stand separate from the Ports operators and landowners. Specifically, our Memorandum & Articles enshrines representation from Highland Council, Highland & Islands Enterprise and the University of the Highlands & Islands (UHI) which is the main further and higher education institute in the region.

In addition to Board representation the Green Freeport has created a Delegated Working Group (DWG) to develop the business case for the ICFGF which comprises of representatives from the Council, UHI, HIE and Skills Development Scotland. A further workforce development working group has been formed which include the partners referred to above plus the local Department for Work & Pensions, Careers Advisory Service, and Developing the Young Workforce who sit within the local Chamber of Commerce.

Following the completion of the Full Business Case, these work groups will be rescoped to provide a mechanism for delivery of the Green Freeport's regional aims to align with the wider interventions listed above along with regional economic development and local, Scottish and national policy development.

Alignment with planning policy and other regulatory alignment will also be supported by the Key Agencies Group (KAG).

1ciii. Project pipeline

A detailed project pipeline was provided to the UK and Scottish Governments as part of the Outline Business Case to support the assessment of potential tax sites for designation. These projects remain valid and will be further developed once the ICF Green Freeport gains full operational status.

1d. Outputs and outcomes

As set out in section 1(a), the Highlands has a number of core fundamental strengths, but also faces challenges which require targeted interventions at scale to reverse what otherwise will be an accelerating dependency cycle. At the same time the UK needs targeted interventions to deliver its targets for UK content on the first order opportunity represented by floating offshore wind.¹²

The ICFGF programme is designed to address both of these challenges through a single set of coordinated interventions built around the Green Freeport offer, whilst also making material contributions to the net zero transition, including contributions towards the UK's new hydrogen production target of up to 10GW of new low carbon hydrogen production capacity by 2030. However, success will only be achieved if all the activities and inputs described in section 1c (supported by the structures and processes set out in the Management and Commercial Cases) are appropriately targeted, coordinated and managed.

Accordingly, to ensure that the opportunity offered by Green Freeport status is delivered in full, considerable effort has been put into ensuring the measures on offer are put to best use to maximise their collective impact for the region.

Across all elements of the Green Freeport proposal, and as a package, the overarching focus has been on ensuring that:

¹² The most recent government document (the March 2203 Offshore Wind Net Zero Roadmap) put the medium term pipeline at some 30GW, with the July 2022 ORE Catapult putting the longer term pipeline (i.e. 2050) at more than twice that. Analysis of annual run rates, such as this summer's report by Royal Haskoning DHV, point at FLOW deployment rates into the seas off Scotland at up to 2GW pa from the 2030s.

- the inputs build on the Highlands' core strengths and address its challenges, both today and in the future, recognising the particular challenges of delivering a successful and fair Net Zero transition,
- the interventions complement each other and existing regional and other programmes to maximise outputs and avoid displacement,
- the outputs deliver additional value that would not be realised without Green Freeport activity or interventions, and
- the benefits are realised across the Green Freeport geography and more widely across the Highlands in a balanced and equitable way, and thereby help levelling up more of the national level value of the region's strategic port assets.

A Logic Model is provided in Annex D and a summary of the key outcomes identified within it is provided below.

Regeneration and high-quality job creation

The physical regeneration of underutilised sites will be one of the most tangible outputs of the programme of interventions outlined in this Full Business Case. This includes key strategic sites at Highland Deephaven and Ardersier, that have long sat dormant but will now be unlocked to provide much of the space required for FLOW manufacturing. It also includes options for port capacity enhancement and the redevelopment of the Nigg Oil Terminal, as well as the remediation of a large landfill site in Inverness, and land reclamation at the city's port, one of the consequences of which could be releasing a key regeneration site in the Highlands' most deprived ward (Merkinch).

This activity will unlock significant new manufacturing capacity (provided by both existing firms and new entrants) which will bring transformational employment effects – an estimated over 11,000 year-round, long-term and stable jobs in the Highlands, most of which are in sectors – renewable energy, life sciences, marine technology – with a higher GVA than the current regional average.

Our strategy is designed to create a FLOW manufacturing agglomeration, which means in time there will be further development outside of tax sites, which will generate its own upstream and downstream employment effects additional to those above.

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, shifting the economy to a positive working age population growth, opportunity and educational attainment cycle.

Some of this will require contributions from a suite of supporting programmes to develop human capital and make the area more attractive to live and work, drawing on net retained NDR. All tax site landowners have committed, via Tax Site Delivery Agreements, to sign the Green Freeport Fair Work Charter. Further, the Green Freeport Skills Fund, described in section 1ci8, provides a mechanism for the financial benefits accruing to employers on tax sites to be recycled to address specific skills and training requirements, such as supporting FE colleges, universities and private specialist providers, or providing specific training programmes.

The implications of the above for working age population are discussed in the SMART target section below.

Decarbonisation and a just transition to a net zero economy

The Inverness & Cromarty Firth Green Freeport will play a disproportionately significant role in delivering national requirements for climate change.

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 quickly 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.

Green hydrogen production will be accelerated on a number of sites, with an estimated production capacity running at up to 1-5 GW by 2035. Green Freeport status will further unlock the export market, accelerating at-scale production to serve overseas customers such as the Netherlands and Germany.

Onshore renewable energy generation will be serviced by the Port of Inverness, where Green Freeport measures will support the acceleration, extension and repowering of existing schemes, and enable freight movements to and from SSE's Coire Glas scheme to be decarbonised, reducing carbon emissions by 95%.

Established owners and operators of facilities within the Green Freeport will continue to deliver their own decarbonisation strategies. For example, the Port of Cromarty Firth has committed to reduce Scope 1 landward emissions by 75% by 2030 and 90% by 2040. These plans, and those of other local businesses, will benefit directly from investment in the Green Freeport.

To harness and support these port-specific and wider industry initiatives, a full Green Freeport Decarbonisation Strategy has been developed, including a comprehensive baselining exercise, establishment of targets and milestones, and a monitoring strategy. The current iteration of this strategy is provided in Annex E.

Hubs for global trade and investment

Green Freeport interventions will support the objectives of the Scottish Government's 'Vision for Trade' by catalysing net increases in inward investment in its sites, the Highlands, nationally, and significantly increasing transactions in trade throughput through its ports (including by supporting the development of expanded capacity along the Cromarty Firth, in Ardersier and the expansion of the Port of Inverness). Japan's Sumitomo is one of the first investing in an HVDC cable factory to support fixed and floating wind as well as supplying products for network transmission interconnectors.

FLOW is a major trade and investment opportunity for Scotland and the UK. Floating wind technology is necessary to deliver 80% of the world's offshore wind potential. Investment in the Green Freeport will come from all over the world, including Denmark (Ørsted), Spain (BlueFloat and SPR Iberdrola) and Norway (Fred Olsen). Not only will the manufacturing element be new to the UK, but it also creates the opportunity for significant exports. Many developers are saying that the Green Freeport's agglomeration impacts will mean they can create their European hub here, manufacturing parts and exporting them to other European projects. Ultimately this means that this is not just about UK content for FLOW in UK waters.

Commercial demand for tax sites is strong. The MoU with Falck Renewables and BlueFloat Energy (successful in three ScotWind tenders to develop 2.7GW of FLOW, with one site in partnership with Ørsted UK), with a total estimated capital cost of nearly £8bn, is one example. ICFGF is their preferred location due to the Green Freeport offer, the sheltered waters and lack of swell, and they plan to support the establishment of a fabrication facility which they intend to use for floating substructures alongside an assembly and integration hub to deliver up to 180 complete FLOW turbines by 2032/33. OWPL (developing the N1 site), Ocean Winds (developing the Moray West and Caledonia fixed sites), Fred Olsen (developing the E2 site in a consortium with Vattenfall), and the Buchan consortium (developing the NE8 site) are also all fully signed-up partners of the Green Freeport.

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. An agreement is in place with the Port of Rotterdam, Europe's largest port, expecting to import 18m tonnes of hydrogen a year from around the world to decarbonise German industrial heartlands. This MoU is its first with any organisation in Scotland.

A marine technology cluster at the Port of Inverness, made possible by tax site measures, will also enable Gael Force to increase the volume of exports to countries such as Spain, Canada and Costa Rica.

The ICFGF will promote trade within the region by enabling introductions and embedding good working relationships between trade support providers and businesses within the Green Freeport, ensuring assistance is available to help maximise export growth potential. In relation to inward investment, ICFGF will interface with Scottish Development International (SDI) and the Department for Business & Trade (DBT), who

specialise in lead generation activity, networking, and the identification of new opportunities for inward investment.

An innovative environment

A wide innovation portfolio is supported by interventions outlined in this Full Business Case.

In the renewables sector, innovation is a commercial necessity. By way of example, the Nigg Offshore Wind facility is expected to be the UK's largest wind tower manufacturing facility, with Green Freeport seed capital and tax site status unlocking the project and further expansion thereafter. Here GEG is applying research to deploy electron beam welding, robotics and AI, which will disrupt traditional manufacture and prepare the ground for the innovative production of other wind and nuclear industry components.

Developers in Invergordon will pioneer hybrid steel and concrete construction methods to turn out oil rig sized flotation structures in a fortnight, using low carbon concrete and employing an innovative floating manufacturing facility in the Firth itself.

Plans for the Longman former landfill site would see Inverness become one of the first cities in the UK to produce green hydrogen commercially once the remediation project, also supported by seed capital and Green Freeport tax measures, is complete. With additional production on the Cromarty Firth, the Highlands can become a strategic refuelling location for hydrogen trains, HGVs and planes, as well as supporting domestic and commercial energy supplies and exports.

Innovation is already abundant at the Inverness Campus where it is a formal condition of entry for potential tenants. With the Green Freeport, new plots can be added to build on developments such as the 2500m² life sciences innovation centre. Elsewhere in the tax site, Green Freeport interventions will enable Aurora Energy to offer the UK market a bespoke blade repair training facility.

The integration of innovation-focused organisations into the Green Freeport governance structure will further promote innovation, including engagement with the Freeports Regulation Engagement Network (FREN) and support in accessing R&D funding. These include ICFGF Ltd's PowerHouse (a research, skills and innovation cluster for the OSW and hydrogen sectors created by OCF in 2020 with over 60 members), Highlands & Islands Enterprise (which aims to improve productivity and competitiveness, stimulate innovation demand across the region and grow the number of businesses undertaking R&D) and UHI (which has a thriving applied research and innovation community).

SMART Targets

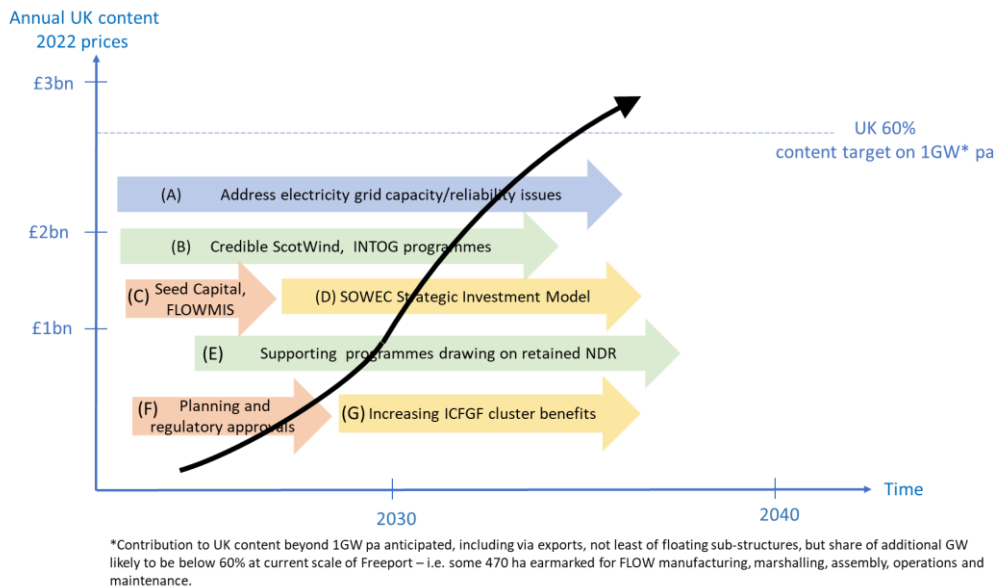
In section 1(a) we identify two key SMART targets for the ICFGF programme.

The first relates to the delivery of the Government's UK 60% content target for at least 1 GW per annum of FLOW capacity. Our consultations with the industry, and the growing number of technical reports that are becoming available on what this will take, suggest the kind of delivery trajectory set out in Figure 5 below, which also identifies the key dependencies.

This trajectory involves the ICFGF cluster and associated supply chains delivering the 60% UK content target on 1 GW pa of FLOW by the mid-2030s. At 2022 prices this implies an annual GVA of some £2bn p.a. of UK capital content, with operations and maintenance activities on top.

In practice we would anticipate contributing UK content to more than 1 GW per annum, but for the local content of this to reach the 60% target, a number of dependencies need to be acknowledged and addressed.

Figure 5: ICFGF contribution to UK content target for Scottish FLOW (including off-site)



The key dependencies for categories (A) to (G), identified in Figure 5, are as follows:

- (A) The need to address constraints in the UK **electricity grid** that are already restricting the power that can be supplied from the UK's current offshore wind assets.
- (B) A **credible FLOW pipeline**, including INTOG, ScotWind and successor programmes. Clearly the outcome of the AR5 round has damaged confidence in these programmes, and there may be a need for adjustments to the criteria applied to CfD rounds at least for a transitional period. This could include the need to allow the significant up-front investment in propositions such as ICFGF to be spread over multiple rounds, recognising that so long as this investment is committed to those future rounds it should ultimately reduce energy costs.
- (C) Delivery of **necessary investment support, initially through FLOWMIS and seed capital**.
- (D) Followed by **the SOWEC Strategic Investment Model**, which is designed to facilitate private investment of strategic importance to OSW working in combination with ICFGF and the Green Freeport toolkit.
- (E) As discussed in section 1(b) and elsewhere, the scale and pace of the expansion in UK content required to meet the UK's targets means there will be a need for supporting programmes, particularly workforce and supply chain based, right from the start. This means there will be need to draw on **net retained NDR generated on ICFGF tax sites as soon as they are available**, plus initiatives like the skills fund drawing on NICs savings and the FLOW workforce accommodation initiative.
- (F) **Sufficient resources to deliver timely planning and regulatory (e.g. for marine licenses from Maritime Scotland) approvals**. Recent experience – including on English Freeports, where the scale and pace of what is required within tight Freeport deadlines overwhelmed available resources – suggest that resourcing and coordination challenges in planning and regulatory processes are a major risk to delivery of the objectives of both governments as well as ICFGF.
- (G) **Benefits from ICFGF clustering**. As discussed in earlier sections of the Strategic Case our FLOW strategy is designed to maximise the benefits of clustering and harness these to increase UK FLOW content and ultimately reduce long-term UK energy costs. These benefits are necessary if we are to get to the harder to reach parts of UK content and maximise what we can deliver in terms of exports. These benefits require us to deliver at breadth and pace in the early years, so these benefits can

make the running later. Delivering these gains are dependent on (A) to (H) as well as the Green Freeport package itself.

The second SMART target relates to the scale of the population change we need to unlock relative to 'business-as-usual' in order to halt the expected c. 10% working age population decline.

Applying the 'business-as-usual' population decline forecast to the latest (2022) Census data suggests Highland working age population falling by a further 15,000 by the early 2040s, on top of a fall of just over 5,000 since the 2011 Census. Against this background, we have set ourselves a SMART target of returning to 2011 levels of working age population by the mid-2040s.

This means an improvement of some 20,000 relative to the business as usual forecast, which will require ICFGF to create 15,000 FTE jobs relative to business as usual (analysis for this OBC suggests a ratio of c. 0.75 jobs per person of working age), including an allowance for an improvement in economic participation rates, which increases the number of jobs we need to create to change the working age population by a given amount.

The Economic Case forecasts that over 11,000 jobs will come to the Highlands (and around 16,500 to the UK) from activity on tax sites alone, including those in the construction of the facilities in the first place. It is expected the remainder of the target will be, at minimum, met through off-site effects, including the impact of (a) FLOW agglomeration and supply chain investment outside of tax sites, (b) our supporting (NDR and NICs funded) programmes, and (c) the higher population generated by our on-site initiatives, including through additional construction (houses, schools, hospitals, retail etc) and in the foundational economy. In terms of a trajectory, our analysis points to the working age population decline coming to an end by the early 2030s, and then recovering to 2011 levels by the 2040s, hence meeting the SMART target.

1e. Net Zero

Approach

The ICFGF will contribute to a just transition to Net Zero emissions by 2045 and aims to become net-zero by 2045. The results of the carbon assessment indicate the year in which ICFGF will offset the carbon emissions arising from construction and operation, the carbon payback year, will occur by 2030, as detailed in Annex E. However, there are some uncertainties in the estimates, projects may be subject to delays which can impact start and end dates and there are significant dependencies outside the control of ICFGF such as major projects receiving consent or grid connection. For these reasons we propose to set a target of 2035 to achieve carbon payback. Thereby underpinning a major contribution to national Net Zero targets which would otherwise be limited without the intervention of the Green Freeport and its associated mechanisms.

There is vast potential for ICFGF regions to decarbonise not only the local economy and region, but also contribute significantly to decarbonisation efforts nationally and globally. The ICFGF will exploit all applicable opportunities to address the climate emergency, in a manner which will substantially accelerate sustainable economic growth. This will be achieved by leveraging the abundant natural resources within the ICFGF region focusing on renewable energy projects.

The main objectives of the ICFGF Decarbonisation Plan are to address the following:

1. Decarbonisation of ICFGF activities, and how this will be managed and monitored.
2. Increasing green economy jobs and skills base.
3. Growing investment on Clean Growth/Net Zero technologies and supply chains.
4. Engaging and collaborating with local communities and stakeholders.
5. The wider demands of Sustainability, beyond just Decarbonisation, with reference to the UN Sustainability Development Goals.
6. Sustainable procurement practice.
7. Align with national and regional policies and strategies.

8. Quantify carbon emissions associated within the control and influence of ICFGF.
9. Employ a Net Zero governance framework by aligning to requirements of PAS 2080.
10. Align with the Scottish Government's just transition planning policy.
11. Sign landowners up to ICFGF's Net Zero and Sustainability Charter

ICFGF Carbon emissions impact

To determine the net climate impact of the ICFGF and its associated operations, the "Control" and "Influence" emissions of the ICFGF have been quantified based on current development plans and timelines.

- **Control** emissions encompass the impact of operations within the tax sites. Thus, a) the energy related emissions of current operations; and b) Construction emissions covering both embodied and operational emissions associated with the new capital projects / operations established within the Tax Sites.
- **Influence** emissions encompass both avoided emissions associated with the activities occurring directly within the ICFGF tax site boundaries and the wider net consequences of tax site activity.

Control

Control emissions related to construction activities within the ICFGF are quantified cumulatively at 1,010 ktCO₂e.

Control emissions related to the operational activities of the ICFGF are calculated cumulatively between 2024 to 2050 at 1,090 ktCO₂e. Emissions are forecast to peak in 2028 at 52 ktCO₂e then gradually taper to 36 ktCO₂e in 2050.

Influence

Within ICFGF tax sites, activities will influence carbon savings through the creation of PtX facilities within tax and customs site. These savings are anticipated to occur via the displacement of grey hydrogen and its derivatives, created from natural gas or methane, with green hydrogen, created from renewable energy sources. Given the Green Freeport's facilitation of offshore wind production, renewable energy within the region which will not be directly used to displace the UK's current grid mix, will be readily available to supply PtX facilities and the production of green hydrogen.

Two confirmed facilities occurring within ICFGF tax site boundaries have been accounted for in the "influence" estimate, although further projects are anticipated to be enabled by the GF over time leading to further carbon savings:

- [REDACTED]
 - [REDACTED]
- [REDACTED]
 - [REDACTED]

In addition to activities within ICFGF tax site boundaries, the ICFGF will influence carbon savings by facilitating the accelerated production of GWs offshore wind in line with the 35GW capacity target for 2035.

Two cases are presented for the facilitation of offshore wind deployment:

- A low ambition scenario where 5GW of offshore wind energy generation is enabled by the ICFGF, leading to cumulative avoided emissions by 2050 of 6,430 ktCO₂e.
- A high ambition scenario where 7GW of offshore wind energy generation is enabled by the ICFGF leading to cumulative avoided emissions by 2050 of 9,000 ktCO₂e.

When considering the two hydrogen production facilities within the boundaries of the tax site, and the deployment of offshore wind facilitated by ICFGF activities, the total carbon savings arising through the influence of the ICFGF is quantified at:

- 24,960 ktCO₂e of carbon savings in a low ambition scenario.
- 27,530 ktCO₂e of carbon savings in a high ambition scenario.

Carbon payback

To determine when a carbon payback is achieved by ICFGF, the year in which carbon savings achieved through the ICFGF's influence exceeds ICFGF's control emissions is examined. Based on current information, the year in which cumulative avoided carbon savings exceed cumulative carbon emissions is estimated to occur in 2030. Given uncertainty regarding timelines and final tax site activities, a 2035 target to achieve carbon payback is being adopted.

Net cumulative carbon savings of the ICFGF are forecast to be approximately **22,900 ktCO₂e in 2050** when adopting the low ambition scenario described above. This would avoid approximately 2% of Scotland's 2010-2050 national emissions budget and highlights the significant emissions reduction impact that ICFGF and its associated activities could have within Scotland.

Carbon management

Managing carbon, both capital and operational, is foundational for the ICFGF to support the Scottish national 2045 net zero target and to achieve its own carbon payback by 2035. To effectively manage carbon, the ICFGF has ensured all tax site landowners have signed the Net Zero & Sustainability charter as outlined in Annex E. The Charter will ensure that the carbon emissions of investments funded by the Green Freeports seed capital will be managed and minimised.

The ICFGF has also established a number of proposed actions to enable ICFGF stakeholders to align with the requirements of PAS 2080¹³ thereby ensuring emissions related to ICFGF activities are minimised. Key actions include:

- Ensure ICFGF activities facilitate a positive carbon impact i.e., a reduction in emissions.
- Annual updated emissions quantification tracked against baseline estimates.
- Ensure projects align with the net zero transition.
- ICFGF will engage with landowners and their relevant decarbonization SME to facilitate decarbonisation.
- ICFGF will promote the deployment of renewable energy technologies within control.
- Work with suppliers and contractors to ensure they have stated carbon management plans and actively engage with them to implement.
- Track the progress of signatories of the Net Zero & Sustainability Charter, carbon assessment records, and annual updates of carbon assessments.

As recognised by PAS 2080, procurement is critical to accelerating carbon reductions when delivering programmes of work. As such, the ICFGF will ensure procurement is mechanism that incentivises decarbonisation across supply chains. To achieve this, the ICFGF intends to adopt a sustainable procurement policy as defined in the Procurement Reform (Scotland) Act 2014¹⁴, therefore ICFGF will consider:

- How the Green Freeport can improve environmental, social and economic wellbeing in the area in which it operates, with a particular focus on reducing inequality and enhancing environmental performance;
- How ICFGF's procurement processes facilitate involvement from SMEs, third sector bodies and supported business;

¹³ Carbon Management in Infrastructure and Built Environment – PAS 2080 2023 (BSI) - [PAS 2080:2023 Carbon Management in Infrastructure | BSI \(bsigroup.com\)](https://www.bsigroup.com)

¹⁴ Procurement Reform (Scotland) Act 2014 – 3. Sustainable procurement duty – Procurement Reform (Scotland) Act 2014: statutory guidance – gov.scot (www.gov.scot)

- How public procurement can be used to promote innovation.

ICFGF will develop a plan for how it aims to achieve the above targets including the role, duties, the significance of asset owners, procurement contracts, and product supplier requirements.

Net-Zero governance

ICFGF will provide regional leadership in its contribution to the national target of Net Zero by 2045. It will do this by being an exemplar of effective decarbonisation and embodying sustainable behaviours throughout Green Freeport activity.

As part of the tax site delivery agreement, all Green Freeport tax site landowners have signed up to the ICFGF's Net Zero and Sustainability Charter. The charter outlines a number of requirements landowners must adhere to in relation to net zero and sustainability, including that they shall:

- Conduct carbon management of all infrastructure projects within the tax site boundaries in accordance with PAS2080 as outlined in the PAS 2080 responsibilities matrix in Annex E.
- Participate in initiatives and opportunities to accelerate decarbonisation of travel and transport in the region, from active travel to decarbonisation technologies across road and rail freight, and marine transport and logistics.
- Adopt sustainable procurement practices.
- Provide progress updates on delivering against national net zero targets on an annual basis (the results of which will be used to track the charter's effectiveness and may be publicised to promote progress and share learnings).

Skills and jobs

The ICFGF, to ensure that the necessary skills are available locally to support ICFGF investment and jobs, has set out a 10-point Skills Plan which includes several activities pertinent to green economy and jobs. In addition to the 10-point Skills Plan, a Just Transition Table has been developed outlining tax site landowner activities and actions that align with the Just Transition with particular reference to equipping people with the knowledge and skills they need, while putting in place safety nets to ensure no one is left behind. Key actions and activities include:

- Contribution from landowners to the ICFGF skills fund corresponding to Green Freeport National Insurance Contributions Relief
- Deploying research in robotics, beam welding, and AI
- Creating a wind turbine blade repair training facility
- Skills development programs and support to educators
- Education provision through webinars and networking events around the transition to bio-base manufacturing
- Carbon literacy training

Noting the significant contribution of ICFGF's Carbon Influence on achieving Net Zero, it is vital to attract and upskill a diverse talent pipeline into long-term high-quality careers in the offshore wind and hydrogen sectors. The 10-point plan directly enables this by including activities to support and develop pathways to skilled green jobs; increase apprenticeship uptake and graduate recruitment; and prioritise employer co-designed STEM outreach activity and engagement with employers, schools and colleges.

A key component of delivering the Skills Plan in a Decarbonisation context is The PowerHouse. The PowerHouse is a skills development and research innovation acceleration function, operating within the umbrella of ICFGF Ltd, focused on the offshore wind and green hydrogen technologies. Its mission is to accelerate UK and global decarbonisation through advancing, industrialising and exporting Net Zero technologies and expertise.

Engagement

The ICFGF provides a unique opportunity to drive sustainability regionally. This will be achieved through collaboration across multiple locations, operators, and landowners. To realise the opportunities the Net Zero agenda presents, the ICFGF has two key circles of influence:

- Internally, it will help those who operate from within the Green Freeport to do so with sustainability and decarbonisation as core values.
- Externally, it will engage with the surrounding communities and other stakeholders most impacted by the Green Freeport proposition.

ICFGF Ltd places significant emphasis on community engagement, as outlined in the FBC Management Case. This strategic approach aims to establish robust and trustworthy relationships over time. The vision and plans of ICFGF have been influenced by extensive stakeholder consultations across the private sector, public agencies, and community engagement.

To ensure the continuity of stakeholder engagement into the future, the key topic areas for further stakeholder engagement include people and places, economy, nature, and climate change.

1f. Equalities

Introduction

The Equality Act 2010 imposes a duty (the PSED) on public authorities and other bodies in Scotland when exercising public functions to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

In addition, the [Fairer Scotland Duty](#) places a legal responsibility on public bodies to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.

ICFGF's approach

Inverness and Cromarty Firth Green Freeport (ICFGF) - although not a public body is committed to ensuring that it will have a positive impact on people with any of the nine protected characteristics. and to actively have a positive impact on socio-economic disadvantage within the area.

This will start with the actions taken by ICFGF. The Company will:

- adopt an Equality, Diversity & Inclusion (EDI) Policy, with a Board Director appointed as EDI Champion. The Chair and CEO are adopting these principles in the formation of the full Board of directors, which is currently underway,
- formalise processes for ensuring that recruitment, promotion, procurement and Board composition recognise the contributions of people with protected characteristics and lived experience of socio-economic disadvantage,
- provide regular mandatory EDI training for all Board Directors and Company employees,
- adopt a Skills Strategy that seeks to actively promote delivering positive outcomes for people with any of the nine protected characteristics and experiencing socio-economic disadvantage (including via the ICFGF Skills and Innovation Fund),

- include an explicit requirement to consider potential impacts on people with protected characteristics and experiencing socio-economic disadvantage and mitigating actions that will be taken for decisions on investing seed capital and retained Non-Domestic Rates.
- develop an action plan setting out the actions required to promote equality, diversity and inclusion which will be monitored by the Board on a regular basis.

Supported by the coordinating and managing activities of the Company, the potential pipeline of development on tax sites over the next 25 years could result in the creation of 18,300 jobs for the UK, 11,300 of which would be in the Highlands. These figures focus on jobs created through the delivery of the proposed tax sites. With broader initiatives in the area connected with the growth in green energy we are hopeful the levels of job creation will go further still.¹⁵

These wider employment opportunities have the potential to benefit all parts of the community and to reverse the outward migration of the region's working age people. (Population growth has slowed in recent years and overall growth masks an ageing population structure and pockets of marked decline. The working age population declined by 3.7% over the decade, in contrast to growth in Scotland of 0.2%.)

The ICFGF tax and customs sites are located in or adjacent to areas of high relative deprivation (amongst the 10% most disadvantaged areas in Scotland), and the initial baselining exercise undertaken (refer to Annex M) provides further evidence of this. According to the latest available data, the unemployment rate in Invergordon is more than 20% higher than the Scottish average (5.8% compared to 4.8%), and the population with no qualifications is 25% higher than the Scottish average (33.4% compared to 26.8%).

The baselining exercise demonstrates the already-proven relationship between poverty and people with protected characteristics. Because of the actions that have and will be taken to localise, as much as possible, the opportunities for job creation and skills development on Green Freeport sites, it is the aim and intention that people with protected characteristics living in the surrounding communities will stand to benefit.

For this reason, a central focus of the ICFGF Skills Strategy is on ensuring individuals in these communities can develop skills and careers within the region without relocating. To drive inclusive growth, ensuring that local people from all backgrounds have the right skills and opportunities to access new jobs is essential.

In particular, work will be undertaken to end the perception that jobs in the energy sector are 'dirty', labour-intensive, offshore and only for men and specifically focus on raising awareness of the range of jobs open to women and girls. We will build on and target existing initiatives such as our local Job Centre Plus's schemes for employing women, people with disabilities, and people from minority ethnic groups at the opportunities emerging through the Freeport. The ICFGF Skills and Innovation Fund, managed by the Company's in-house skills and innovation function, the PowerHouse, and supported by contributions from employers on tax sites, will help fill gaps in existing provision in these services.

The Tax Site Delivery Agreements require all tax site landowners to sign up to the ICFGF's commitment to having a positive impact on people with protected characteristics and socio-economic disadvantage in the Highlands via the Fair Work Charter. Businesses in tax and customs sites will be expected to comply with relevant equalities laws, regulations and planning obligations – and indeed to go further, including through supporting local programmes (including those coordinated by the ICFGF).

Monitoring and evaluation

Monitoring and evaluation of equalities outcomes will help the Company:

- assess the impact on people with protected characteristics as it develops its strategies, policies and programmes, and consider what actions, if any, may be appropriate to improve any identified adverse impacts,
- be open and transparent and publish information regarding its progress on achieving equality, diversity and inclusion,

¹⁵ These estimates include all operational jobs on tax sites, construction employment, their indirect supply chain impacts as well as the induced impacts from the spending of wages and salaries in the wider economy.

- work in partnership with the range of local, regional and national organisations to create new and better actions, and
- ensure that services are provided by knowledgeable and well-trained staff who understand the needs of their communities.
- Monitoring and evaluation will also help the UK and Scottish Governments measure EDI outcomes at a programme-wide/ national level, and to meet their own obligations under the PSED.

The Company will appoint a Board Director as an EDI Champion. Their role will be to ensure the principles and commitments of the Company in relation to EDI are adhered to and that partners are delivering against their commitments.

It is expected that monitoring and evaluating equality, diversity and inclusion outcomes will be included within the overall M&E guidance for Green Freeports, and we would be pleased to work with the Governments to ensure that the requirements are appropriate, proportionate and effective. As per the guidance, this will require monthly engagement with government contacts as well as the appointed independent evaluation provider to provide qualitative progress updates. Data may need to be collated at a primary level where required, however where data is commercially or otherwise sensitive, we will work with the governments and the data provider to determine the most appropriate data sharing arrangements.

One of the elements of our M&E programme will be monitoring and reporting on investments from the net retained NDR programme. The specific requirements for this will be set out in the investment framework and will include specific monitoring of the impact of each investment on people with protected characteristics.

We will also monitor and report on Board composition, to ensure that representation on the ICFGF's governance bodies is reflective of the ICFGF's business community and the wider community (including geographies, gender and each of the nine protected characteristics).

1g. Environmental impact

Green Freeports are designed to boost innovation and inclusive growth within communities, while upholding the highest environmental protections and supporting economic transformation. All partners will be active in working collaboratively, in the spirit of the Place Principle and the six spatial priorities of NPF4, to deliver shared outcomes and the best results most efficiently. The six spatial principles are:

- Just transition
- Conserving and recycling assets
- Local living
- Compact urban growth
- Rebalanced development
- Rural revitalisation

By applying these spatial principles, ICFGF will support the planning and delivery of sustainable places, liveable places and productive places.

The wide range of possible implications for the natural and historic environment will be carefully considered to allow for the Green Freeport developments to be supported and enabled. Each project will undertake their own specific studies via EIA and HRA processes to ensure that all relevant environmental implications are identified and that the mitigation hierarchy has been applied and implemented. Such considerations will include all environmental issues related to land (such as land contamination and soils (peatland, carbon rich soils, minimising disturbance to soils from development)), air (air quality, noise and reducing greenhouse gas emissions) and water (flood risk, drought, water quality etc) as well as zero waste. The ICF also recognises the importance of undertaking early baseline surveys across the wider Green Freeport area to understand and inform environmental impacts of ICF projects both individually and cumulatively and as such the ICF have committed to commissioning a number of baseline surveys.

The emerging IMF LDP has been prepared alongside NPF4 and includes a bold new policy for Nature Protection Preservation and Enhancement to align with the related national policy. The 'Planning' section 1ci5 details how from an early stage Council officers and Key Agency Group members have worked together to provide the ICF Team with a high-level overview of relevant environmental considerations and sensitivities for each tax site landholding, including identifying relevant protected areas.

This has also allowed this multi-disciplinary team to work together in identifying the outcomes and potential strategic biodiversity improvements that will act as the basis for defining the characteristics and benefits for nature - as well as climate resilience, water environment and flood risk - that will arise from all Green Freeport developments. These are shown further below. The outcomes and potential improvements are aimed at promoting nature recovery, supporting resilience to future climate change and avoiding and where necessary mitigating possible adverse impacts. This is also captured in and is complemented by the wider ICF Net Zero and Sustainability Charter.

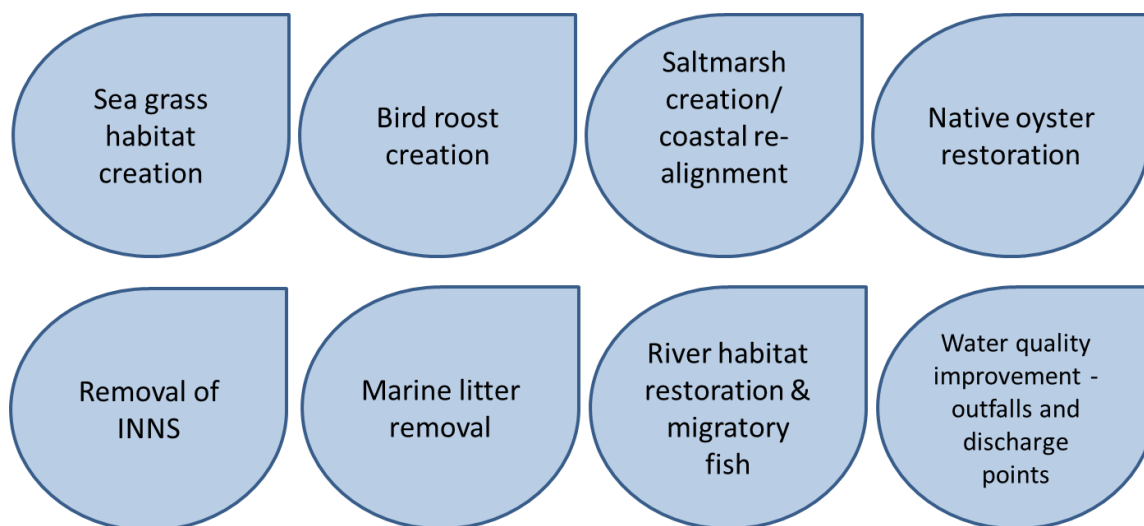
Figure 6 - ICF biodiversity outcomes

ICF Biodiversity Outcomes

1. ICF is recognised nationally as a major industrial development that has delivered exceptional benefits for nature.
2. The marine, freshwater and terrestrial biodiversity of the Firths and coastal environment have been sensitively conserved, restored and enhanced.
3. The range and quality of habitats and species have been enriched and expanded and are properly managed and monitored.
4. Nature based solutions have been integrated in development.
5. Nature networks have been expanded and strengthened.
6. Communities are healthier and better connected and able to experience the biodiversity that characterises their place.
7. Improvement of water quality.

A suite of projects and opportunities identified around the ICF area will provide a focus for delivering biodiversity enhancement, building and strengthening nature networks, identifying and connecting biodiversity sites of local and regional importance with each other and with other protected sites (in compliance with NPF4) and provide the Green Freeport and site tenants with clear pathways to delivering on the outcomes identified above. Possible projects and opportunities are set out below and where appropriate can be complemented by mechanisms for local communities to access, appreciate and understand the natural environment of the Moray and Cromarty Firths.

Figure 7 - ICF potential biodiversity improvements



To further aid the delivery of such opportunities and maximise the potential benefits the Green Freeport offers, Council officers are identifying other key stakeholders and partners who are already actively undertaking positive nature conservation work within the area that developers within the Green Freeport can support and build upon.

The approach to understanding and delivering for the environment

A baseline ecological survey will be undertaken of the wider ICF area across both marine and terrestrial habitats. The ecological baseline survey will include a strategic biodiversity enhancement plan that will identifying opportunities for the port areas to:

- deliver significant enhancement of biodiversity;
- create and strengthen nature networks / habitat connectivity, including between both locally important and designated sites;
- integrate nature-based solutions; and
- Identify and deliver biodiversity / nature benefits to local communities.

For each project, EIA will set out and assess the impacts it will have individually *and cumulatively* with regard to biodiversity. Where adverse impacts are identified (at both an individual project level and cumulative ICF level) mitigation and monitoring measures will be developed and agreed.

Projects that could affect a European site, as identified through the HRA process set out in NatureScot guidance, will avoid or minimise both construction and operational impacts through careful design. In cases where, despite iterative design, it is demonstrated that impacts cannot be fully avoided and/or mitigated, appropriate licences/permissions will be sought and a suite of compensatory measures (to be agreed by NatureScot and/or the Planning Authority) will be developed and actioned within an agreed timetable. In addition to necessary mitigation and compensation measures, all projects will deliver significant biodiversity enhancement in accordance with NPF4 Policy 3 and Highland Council biodiversity guidance. Wherever possible projects will collaborate with one another to provide biodiversity enhancements that are bigger, better and more connected than could otherwise be achieved if working in isolation. In all cases, it will be a priority to deliver all compensatory measures and biodiversity enhancement within the immediate Green Freeport area. This includes addressing feature-specific impacts within and adjacent to nearby European sites and also the broader suite of concerns captured under the EIA regulations.

A coastal adaptation plan will be developed to understand and inform the site specific and cumulative measures for coastal erosion and sea level rise. The Highland Council are developing a Coastal Change Adaptation Plan for the Highland coastline. The Green Freeport will consider coastlines within their own application area and develop a site specific coastal adaptation plan for each location as well as a strategic

plan for wider ICF area. This will identify opportunities for coastal adaptation (including coastal realignment) to protect ICF investment and productivity, provide improved/enhanced habitat (particularly for bird and marine species) and provide nature-based solutions and other measures to help mitigate impacts on local communities/areas, especially those areas identified by SEPA as Potentially Vulnerable Areas for flooding.

The impact of increased activity at ports will be Informed by environmental baselining undertaken across the wider ICF area. This will include, for example, establishing a detailed understanding of existing air quality, air and water pollution levels and noise levels (including disturbance of marine mammals and birds and habitat change) both on and off-shore. Each project, EIA will set out and assess the impacts it will have individually *and cumulatively* with regard to increased port activity (vehicular traffic, ships, on/off loading of cargo ships etc), and how this will affect flood risk and coastal erosion and environmental considerations. Where adverse impacts are identified (at both an individual project level and cumulative ICF level) mitigation and monitoring measures will be developed and agreed in accordance with the mitigation hierarchy.

Each project will have an agreed biosecurity plan that details all potential biosecurity risks associated with the specifics of each project, and a detailed plan to off-set and mitigate these risks, including emergency protocols should a biosecurity threat be identified. A port-wide biosecurity plan will be held and maintained centrally to ensure oversight of all biosecurity risks. This will include measures to ensure that no non-native species are brought into the area, particularly from ships travelling outwith British waters.

Some of the tax site boundary changes that occurred between the proposed plan and Examination stages of the IMFLDP review have meant that further SEA/HRA work is required. The Council is looking to utilise its close collaboration with Key Agencies to carry out this work. This will help to ensure that sites are deliverable.

To ensure the ongoing delivery of environmental and biodiversity commitments and enhancements, and taking account of the requirements set out above, the ICF Team aim to put in place a monitoring and management group.

We are not aware of any plans for the ports to receive animals, high risk food etc. If we do, we have established procedures in place. The ICFGF Team is aware of their responsibilities for border control point designation and will remain vigilant on this issue with port operators.

Net Zero & Sustainability Charter

All Green Freeport tax site landowners and users have committed to sign up to the Net Zero & Sustainability Charter. (see below)

A key element of the charter is that all stakeholders will pursue all applicable UN Sustainable Development Goals (SDG), and the table overleaf states the charter objectives and maps them against directly applicable UN SDGs.

Table 11: ICFGF Net Zero and Sustainability Charter

UN SDGs➔	7 – Affordable & Clean Energy	8 – Decent Work & Economic Growth	9 – Industry, Innovation & Infra	11 – Sustainable cities & communities	12 – Responsible consumption &	13 – Climate Action	14 – Life below water	15 – Life on land
↓ ICFGF landowners and users shall:								
Carbon management of all infrastructure projects will be conducted in accordance with the latest version of <i>PAS2080 – Carbon Management in buildings and infrastructure</i>			●	●	●	●		
Participate in all relevant initiatives and opportunities to accelerate decarbonisation of travel & transport in the region, from active travel to decarbonisation technologies			●	●		●	●	●

across road and rail freight, and marine transport and logistics.								
Adopt sustainable procurement practices , with public sector bodies conducting sustainable procurement in accordance with the Procurement (Reform) Act 2014.	●		●	●	●			
Participate in all relevant initiatives and opportunities to sensitively conserve, restore and enhance the marine, freshwater and terrestrial biodiversity of the Firths' region and coastal environment.				●		●	●	●
Provide progress updates on delivering against national net zero targets on an annual basis. The results of the progress update will be used to track this Charter's overall effectiveness and may be publicised to promote the positive progress made by GF tax site owners and share learning with others.			●			●		
Monitoring UNSDG achievement. For each of the 17 UN goals, SMART SDG targets will be set against the GF organisation's baseline data. This will clearly define their SDG strategy and allow the production of meaningful KPIs for mapping and reporting on progress. This governance will drive continual improvement towards the 2030 and 2045 deadlines.	●	●	●	●	●	●		●

ECONOMIC CASE

As the Strategic Case demonstrates, the Inverness and Cromarty Firth Green Freeport (ICFGF) has the potential to deliver a step change in high value added economic growth, skills, innovation, trade, and investment as well as playing a wider role in supporting decarbonisation. The Economic Case sets out the critical success factors that have been applied to develop a short list of options for appraisal. It then undertakes an options appraisal to assess the benefits and costs of these options, demonstrating the additionality of ICFGF and assessing its value for money and risk, before recommending a preferred option to progress to Full Business Case.

2a. Critical success factors

Freeport objectives

The UK and Scottish Government's four objectives for the Green Freeports programme are to:

- 1 **Promote regeneration and high-quality job creation** in ports linked to the areas around them, ensuring levelling up through sustainable economic growth and regeneration for communities that need it most. Local economies will grow as tax measures drive private investment, carefully considered planning reforms facilitate construction and infrastructure is upgraded in Green Freeports. This is the lead objective in Scotland.
- 2 **Promote decarbonisation and a just transition to a net zero economy.**
- 3 **Establish hubs for global trade and investment** by focusing on delivering a diverse number of investment projects within the Green Freeport regions, make trade processes more efficient, maximise developments in production and acquire specialist expertise to secure the position of Green Freeports within supply chains.
- 4 **Foster an innovative environment** by focusing on private and public sector investment in research and development; by being dynamic environments that bring innovators together to collaborate in new ways; and by offering spaces to develop and trial new ideas and technologies. This will create new markets for UK products and services and drive productivity improvements, bringing jobs and investment to Green Freeport regions.

The Strategic Case (Section 1a) also sets out two SMART targets that have been set for ICFGF relating to the capture of UK offshore wind content (a UK SMART target) and halting the forecast decline in working age population (a regional SMART target).

Critical Success Factors

The Freeport objectives have a key role to play in assessing the relative performance of shortlisted options. To derive that shortlist, a series of critical success factors was developed, informed by the Freeport objectives, to support the assessment of seed capital applications. These critical success factors were:

- Strategic fit with the policy objectives
- Value for Money (VfM)
- Capacity and Capability
- Achievability/risk profile
- Affordability/cost
- Alignment with the Net Zero agenda

In applying the critical success factors as part of the seed capital options shortlisting process, these were packaged into a series of assessment criteria groups, with associated weights, as detailed in Table 12. The Highland Council, as Accountable Body for seed capital funding, determined the criteria weights. A group of senior economic development and regeneration managers was involved in the process. This involved a review

of the intended purpose of seed capital, before ranking the critical success factors in order of importance, grouping them and reaching agreement on the assignment of weights. No sub-criteria weights were established.

Table 12: Assessment criteria used to shortlist seed capital options

1. Need/Affordability/Cost/Value for Money (30% weight) 1.1 Addressing market failure – the project will provide intervention to address where the market has failed and/or can accelerate strategic economic growth 1.2 Evidence of deficit / viability funding requirement 1.3 The scale and added value the project will enable/deliver in terms of accelerated growth, investment, and innovation and how this aligns to existing business and place assets i.e., will the project add value and unlock wider place/location benefits? 1.4 Increases inward investment readiness 2. Deliverability/Capability/Achievability/Risk (40% weight) 2.1 Project risks and mitigations 2.2 Technical and regulatory considerations and current position 2.3 Timescale to delivery 2.4 Deliverability and effect on risk reduction across GF 2.5 Increases inward investment readiness 2.6 Funding mix : Scale of funding required – alternative sources (Govt) + match identified/secured including private sector leverage 2.7 Supplier capacity and capability 3. Strategic Fit (15% weight) 3.1 Align with wider investments, initiatives, or strategies 3.2 Regional Economic Strategies, Local Development Plans, Skills Development Scotland strategic plans, spatial strategies 3.3 Contribution towards building Regional Infrastructure 3.4 Pace, scale, and value of the project benefits within and across the wider FGFP area and the associated regions 3.5 Driving Sustainable Economic Growth 3.6 Building resilient and sustainable places 4. Alignment with Net Zero Agenda (15% weight) 4.1 Adoption of sustainable practices (spanning Environment, Society, Governance) with sustainable meaning the conserving of resources, achieving an ecological balance by avoiding depletion of natural resources and the ability to maintain(sustain) the practice) 4.2 Utilises or creates decarbonised energy source(s) 4.3 Driving Sustainable Economic Growth 4.4 Enabling Transition to Net Zero

2b. Options appraisal for seed capital utilisation

2bi. Shortlist of options

Options shortlisting process at OBC stage

At OBC stage the options development process followed three stages. The first involved the development of a high-level options framework. These options, which are the key focus of appraisal in the Economic Case, are:

- Option 1: Reference Case – No Freeport
- Option 2: Green Freeport, but zero seed capital
- Option 3: Green Freeport plus seed capital Minimum Viable Ask (£15m)
- Option 4: Green Freeport plus seed capital Maximum Ask (£25m)

The second stage involved the assessment of applications for seed capital by applying the critical success factors as set out in Table 9. In summary, this process took the following form:

- Applications for seed capital were sought from those landowners then engaging in ICFGF, setting out clear guidance on eligible activities as well as the assessment criteria
- 15 seed capital applications were made, requesting a total of £36.1 million of seed capital funding
- All applications were subject to a high-level subsidy control assessment by the Highland Council
- The Green Freeport Company Board convened an Assessment Panel to a) independently assess each application for its eligibility b) to score the performance of each Application from 1-5, allowing weighted scores to be generated. The scoring system was defined as follows:

Negligible – Little or no contribution to baseline	1
Limited – noticeable but relatively low influence on baseline	2
Moderate – clear improvements, impacts are perceptible and meaningful a local level	3
Significant – considerable influence on baseline and/or regional scale impacts	4
Major - delivers a significant uplift relative to baseline position and/or impacts are evident at a national level	5

- The Panel was chaired by the Chair of the Green Freeport Company with other Panel members being representatives from Highland Council, UHI and HIE whose representatives were not involved in the preparation of their organisations’ seed capital applications. Potential conflicts were further managed by ensuring that the process was independently moderated and that representatives of Highland Council and HIE did not participate in the scoring of their organisations’ seed capital applications.
- The Panel was convened for an in-person, moderated discussion of the Applications with an opportunity for a further re-scoring of the applications where the Panel considered that to be appropriate
- Having reviewed the weighted scores and the cumulative seed capital requirements, the Panel set the threshold for the Minimum Viable Ask at £15m and concluded that a Maximum Ask option of £25m seed capital was justified in view of its potential to unlock hundreds of millions of pounds of other public sector and private sector investment.

Table 13 on the following page sets out the results of the seed capital assessment. It shows the Panel’s average criteria scores for each application, as well as the weighted score. The applications are presented in rank order of their Weighted Scores, with the highest ranking applications at the top. The Table also shows the Panel’s recommendation on allocation of applications to the Maximum and Minimum Ask Options at OBC stage, as well as the level of Seed Capital which should be made available.

Table 13: Results of seed capital assessment at OBC stage

Lead Applicant:	Project name:	1. Need/ VFM	2. Deliverability/ Capability	3. Strategic Fit	4. Net Zero Alignment	Weighted Score (%)	Rank	Seed Capital £ allocation	Cumulative Seed Capital	Minimum Ask Option (≤£15m)	Maximum Ask Option (≤£25m)
Global Energy Nigg Ltd	Port of Nigg Expansion Project	4.5	4.3	4.3	4.0	86%	1	1,471,845	1,471,845	Y	Y
Global Energy Nigg Ltd	Steel Rolling Manufacturing Facility Enabling Works	4.3	4.3	4.3	4.0	84%	2	1,000,000	2,471,845	Y	Y
Port of Cromarty Firth	Port of Cromarty Firth - Phase 5	4.3	3.8	4.3	4.5	82%	3	7,000,000	9,471,845	Y	Y
The Highland Council	Longman Green Hydrogen Project	4.3	3.3	4.7	4.3	80%	4	700,000	10,171,845	Y	Y
Global Energy Nigg Ltd	HV/DC Cable Manufacturing Facility Enabling Works	3.8	4.3	4.0	3.5	79%	5	350,000	10,521,845	Y	Y
Global Energy Nigg Ltd	Ultra-Deep Water West Quay Expansion Preparation Project	3.3	4.0	4.3	3.8	76%	6	450,000	10,971,845	Y	Y
Highlands and Islands Enterprise	Inverness Campus - Phase 2 infrastructure	4.0	4.0	4.0	2.0	74%	7	4,000,000	14,971,845	Y	Y
The Highland Council	Tomich Junction Improvements	3.0	4.3	3.3	3.7	74%	8	1,957,903	16,929,748	N	Y
Global Energy Nigg Ltd	Site Electricity Upgrade Project	3.8	3.8	3.5	3.3	73%	9	3,500,000	20,429,748	N	Y
Inverness Harbour Trust	Port of Inverness - Longman Quay Improvement	3.5	3.8	3.0	3.0	69%	10	1,820,000	22,249,748	N	Y
Highland Deeaphaven Ltd	Deeaphaven Deep Water Access	3.3	3.0	3.8	3.0	64%	11	2,500,000	24,749,748	N	Y

Shortlist of options at OBC stage

Table 14 Table 14 summarises the shortlist of options which was subject to appraisal at OBC stage.

Table 14: Shortlist of options for appraisal

	Option 1: Reference Case No Freeport	Option 2: Green Freeport, but no seed capital	Option 3: Green Freeport plus Minimum Viable Ask seed capital	Option 4: Green Freeport plus Maximum Ask seed capital
Freeport tax, NI and NDR benefits	X	✓	✓	✓
Freeport customs benefits	X	✓	✓	✓
Freeport planning regime	X	✓	✓	✓
Freeport co-ordination: Planning Skills Innovation Trade and investment Decarbonisation	X	✓	✓	✓
NDR retention	X	✓	✓	✓
Seed capital	X	X	✓ (£15m)	✓ (£25m)

At OBC stage the base case for the intervention options (Options 2, 3 and 4) assumed a 5-year tax site designation. As the precise timing of tax site designation was not known, Economic Case modelling took the five financial years 2024/25 to 2028/29 as a proxy for this five-year period. A further level of analysis was also undertaken to assess the impact of a 10-year tax site designation, which would extend the tax site designation for a further five years to 2033/34.

The third stage involved an options workshop with the ICFGF Working Group followed by individual consultations with landowners to calibrate the key performance assumptions underpinning each option. This stage involved a deeper exploration of the key factors influencing option performance, including:

- The wider economic context, including the type, level and timing of demand associated with ScotWind and INTOG as well as the timing of grid connections
- The impact of Green Freeport tax site designation on the type, scale, and timing of economic activity
- The impact of customs site designation on the type, scale, and timing of economic activity
- The timing and duration of tax site benefits in relation to the timescales needed to bring forward different sites for development
- The alignment of seed capital and matched funding to unlock tax site projects in a timely manner
- The timing and duration of tax site benefits in relation to their potential to attract high value-added end users which will be key to manufacturing based cluster development
- The impact of the ICFGF's strategic added value in relation to strategic planning and co-ordination, skills, innovation, trade and investment and decarbonisation.

Final options for appraisal at FBC

Following approval of the OBC, ICFGF tax site designation has been granted from 8th April 2024 to 30th September 2034. As a result, the 5-year tax site variant has not been considered further within the FBC.

It has also been clarified that the focus of seed capital within the FBC should be on testing the value for money of the Maximum Ask (£25m seed capital) package.

Three options have therefore been appraised in the FBC Economic Case:

- Option 1: Reference Case – No Freeport (formerly Option 1)
- Option 2: Green Freeport (8th April 2024 to 30th September 2034), but no seed capital at all (formerly Option 2b)
- Option 3: Green Freeport (8th April 2024 to 30th September 2034), plus Maximum Ask seed capital (£25m) (formerly Option 4b)

Option performance

Table 15 summarises the forecast outcome performance of the options. The focus is on the impact of the options on three tax site locations, amounting to approximately 520 hectares. Potential project activity beyond tax site boundaries or funded through NDR retention is excluded. Annex F discusses the source of these estimates and the methodologies adopted.

In Option 1, in the absence of the Freeport, some capital investment (amounting to an estimated £1.1bn) would take place on most of the tax sites. However, it is likely that this will be marshalling and assembly, of the type undertaken for fixed foundation offshore wind to date. Opportunities to attract FLOW manufacturing to the area would be lost and activity will be lower value added, project driven, and contract based, resulting in lower income and lower job security employment. Without the Freeport incentives, the port-based tax sites will be under-utilised, the former Longman landfill site in Inverness and Inverness Campus Phase 2 would not be taken forward at all, and the local economy will remain on its current trajectory, with young people leaving the Inverness and Cromarty Firth area to seek higher income opportunities elsewhere in Scotland and further afield. From a broader strategic perspective, the opportunity to harness the potential of ScotWind and INTOG to drive UK manufacturing would be lost without a Freeport, with continental Europe and its more attractive incentive regime attracting new manufacturing hubs. The absence of tax and customs tax relief package and the lack of any wider, Freeport-driven strategic co-ordination would also make it much less likely that hydrogen production would take place in the ICF area.

As Table 15 shows, in Option 2 the package of Freeport tax and customs benefits would lead to considerably more activity. In Option 2, a ten-year Freeport package with no seed capital is estimated to deliver £3.6bnbn of investment (£1.5bn more than Option 1) and in this option the value of Freeport tax benefits is assessed at £445m. However, without seed capital the potential of the ICFGF will not be realized, even within a ten-year tax site designation period. The Strategic Case (Section 1ci1) set out the seed capital projects and demonstrated their contribution to unlocking strategic Freeport land assets. These arguments are not repeated here, but modelling based on seed capital project-level OBCs in Option 3 has reinforced the importance of early seed capital intervention. The addition of £25m of seed capital in Option 3 would unlock £5.3bn of investment (a further £1.7bn compared to Option 2).

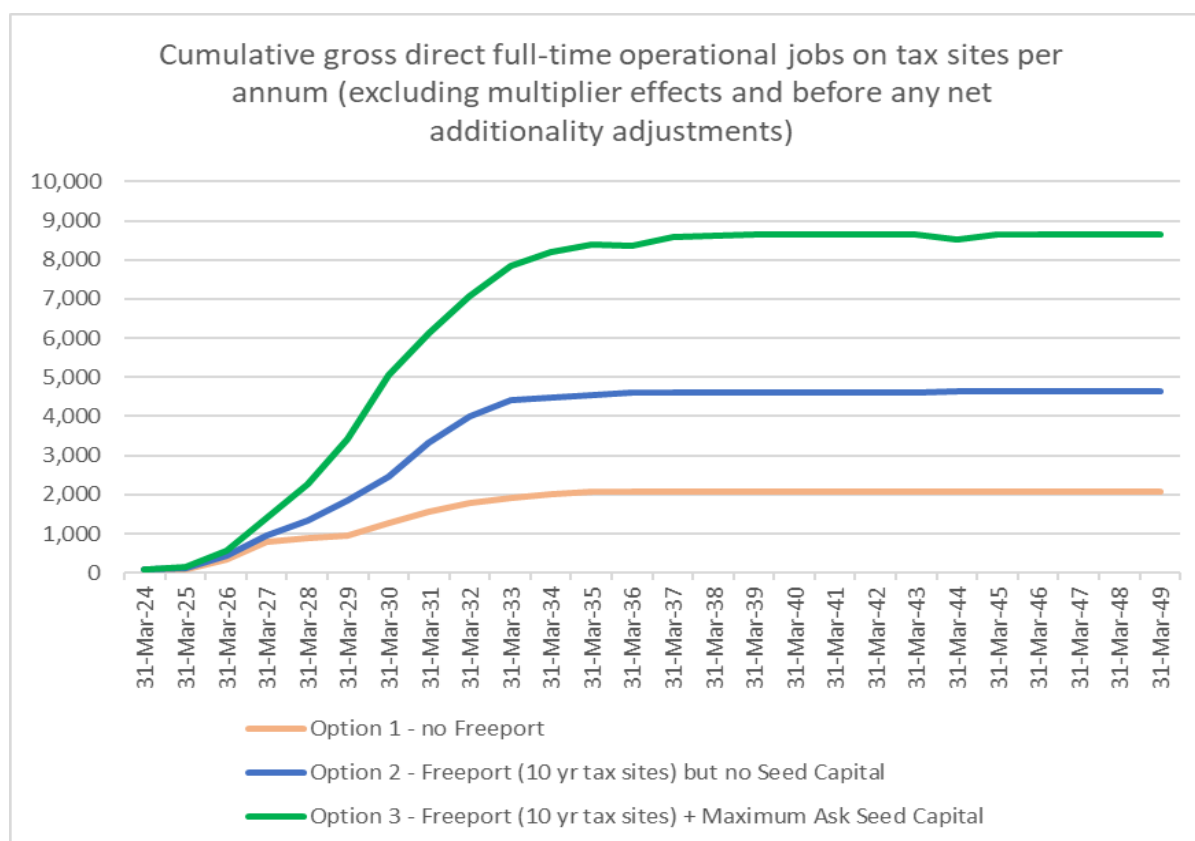
Table 15 : Key gross and net additional outcomes from tax site delivery in the shortlisted options

Key outcome	Option 1: Reference Case No Freeport	Option 2: Green Freeport, but no seed capital	Option 3: Green Freeport plus Minimum Viable Ask seed capital
Present value (PV) of total investment on tax sites over 25 years	£1,065m	£3,590m	£5,345m
Estimated Value of Freeport tax site benefits	N/A	£445m	£790m
Land Value Uplift (LVU)	£120m	£260m	£485m
Gross full-time job years (including supply chain and income multipliers) from tax site construction at the Inverness and Cromarty Firth level (expressed as 10 year FTEs)	3,000 (300)	7,300 (730)	11,100 (1,110)
Gross direct, operational full-time equivalent (FTE) jobs on tax sites			

• at 5 years • at 10 years • at 25 years	1,260 2,060 2,080	2,470 4,540 4,640	5,060 8,340 8,660
Gross direct, indirect and induced FTEs at 25 years			
• Inverness and Cromarty Firth • Highlands and Islands • Scotland • UK	2,340 2,410 3,440 4,120	5,230 5,380 7,680 9,200	9,750 10,040 14,330 17,160
Net additional FTE jobs at 25 years			
• Inverness and Cromarty Firth • Highlands and Islands • Scotland • UK		2,900 3,030 4,250 5,140	7,460 7,780 10,930 13,200
PV net additional GVA over 25 years			
• Inverness and Cromarty Firth • Highlands and Islands • Scotland • UK		£2,895m £2,935m £2,935m £2,975m	£7,445m £7,555m £7,550m £7,655m
Present Value of embodied and operational carbon emissions over 25 years	-£123m	-£267m	-£493m
Present Value of direct, tax site influence on carbon emissions over 25 years	0	+£2,915m	+£3,705m
Present Value of wider tax site influence on carbon emissions (enabling FLOW) over 25 years	Not estimated	Not estimated	+£18,250m
UK SMART target: 60% UK content from FLOW	Not achieved	Not achieved	Fully achievable
Regional SMART target: estimated working age population (16-64) over 25 years required to support net additional jobs:			
• Inverness and Cromarty Firth • Highlands and Islands		4,120 4,300	10,580 11,030
PV net additional income over 25 years:			
• Inverness and Cromarty Firth • Highlands and Islands		£1,490m £1,500m	£3,780m £3,810m

The potential impact of seed capital is illustrated further in Figure 8 below, which shows the build-up of gross, on site operational jobs. The orange line denotes the level of activity under Option 1, the no Freeport reference case. The blue line indicates the additional on-site operational employment generated by Freeport designation alone, without seed capital (Option 2). The green line denotes the build up of jobs under Option 3 with the benefit of Maximum Ask seed capital, showing the significant unlocking benefits which these are estimated to bring.

Figure 8: build-up of gross direct full time operational jobs on tax sites: the impact of seed capital



The additional scale of impact with seed capital under a 10-year tax site designation does not come only from additional employment. Seed capital unlocks land to support more fabrication and manufacturing jobs which will bring both higher GVA and higher wages. The Green Freeport's 10 year tax site designation will provide additional certainty to manufacturers about the UK's long-term commitment to building a renewables-led advanced manufacturing cluster. The longer designation can be expected to stimulate later phases of expansion, improve IRRs, and make Final Investment Decisions more compelling, particularly for those who are considering establishing European manufacturing hubs at ICF. Confirmation of the 10-year designation therefore brings the opportunity to fully maximise the clustering potential of ICFGF, by securing internationally mobile manufacturing investment, aggregating component manufacturing and supply chains and harnessing their innovative potential to drive forward the pace of offshore wind delivery. At OBC it was noted that seed capital under a 5-year tax site designation would begin to unlock the manufacturing benefits, but the vision is fully achievable with a 10-year designation.

The timing of new grid connections for offshore renewable energy will also be key to the Green Freeport's optimisation. The decision to designate ICFGF for 10 years will enable better alignment with new grid connections for ScotWind which are not expected to take place until at least 2030/31. The same connections will also play a vital role in enabling energy-intensive manufacturing to take place in the ICFGF area.

Supporting energy-intensive manufacturing close to energy production will also reduce transmission losses over distance and reduce the level of interconnector infrastructure needed between the north of Scotland and the rest of the UK. It will bring other benefits too. Clean electricity and hydrogen will accelerate the decarbonisation of local heavy industry, including the whisky industry, and green hydrogen and its derivatives has significant export potential in the medium and longer term, driving energy security and improving the UK's trade performance.

At FBC stage more detailed estimates have been made of the embodied and operational carbon emissions which will result from tax site construction and operations. This is discussed in more detail in 2bvi (carbon impact appraisal), but as Table 15 shows, the positive carbon emissions reduction resulting from the production of green hydrogen production on tax sites is expected to outweigh the negative embodied and

operational emissions by a factor of 7.5 to 1 in Option 3. The wider influence of the Green Freeport in supporting FLOW is also substantial.

It should be emphasised that all of these added value benefits derive from Option 3 only. In addition, it is anticipated that the utilisation of retained Non-Domestic Rates will present significant opportunities to enhance infrastructure, housing and local economic development in the wider ICFGF area. These benefits are not captured in the Economic Case.

ICFGF's second SMART target relates to tackling regional working age population decline. In Option 1, depopulation from ICF would continue along the recent trends set out in the Strategic Case. Many of the jobs on site would be fulfilled by contractors rather than permanent staff, whereas seed capital makes growth much more inclusive, delivering many more permanent and higher income jobs. There would be more permanent jobs in Option 2, but the addition of seed capital is key to the delivery of this target. As Table 15 shows, meeting the labour demand requirements of the Green Freeport with Maximum Ask seed capital is estimated to require an influx of working age population (aged 16-64) to the Highlands and Islands of over 11,000 over 25 years under Option 3. A thicker labour market will also make growth more efficient by reducing the extent of poaching between firms, thereby minimising labour market substitution. The total population impact is estimated to be even higher than this when children (0-15) are added (a further 2,800).

An international scale manufacturing Green Freeport will also be key to investment in skills for the future and in the provision of attractive, well-paid jobs for young people, stimulating new housing supply and facilitating local infrastructure and service enhancements which will further enhance the attractiveness of the area to working age families.

Freeport tax benefits and early site preparation work enabled by seed capital will be key to the attraction of manufacturing activity. With a typical 18 month build programme, and a further two to three years to recruit, train and ramp up production, new manufacturing start-ups have a high level of cash burn over the first five years. The resulting losses need to be carried over 7-8 years, reducing the IRR below the hurdle rates needed to justify investment. Discussions with potential end users have demonstrated that the availability of Green Freeport tax and NI benefits is key to enhancing the IRR to an investible level.

Engagement with key stakeholders has demonstrated that the ten year tax site designation will have a transformational impact on the Green Freeport's ability to attract and embed manufacturers and develop an offshore wind manufacturing cluster of international importance, facilitating delivery of ICFGF's SMART target on UK content for FLOW. The opportunities include manufacturers of blades, nacelles/turbines and innovative floating foundation components who will see opportunities for expansion not just to serve ScotWind and INTOG, but also ScotWind 2 as well as wider export opportunities.

Table 16 below sets out the anticipated value of the various reliefs and exemptions over the 10-year tax site designation period. The value of Freeport tax benefits is assessed as £445m in Option 2 (Freeport only, no seed capital) and £792m in Option 3, with the addition of Maximum Ask seed capital.

Table 16: Estimated value of NI, corporation tax and NDR benefits to investors and occupiers under Options 2 and Option 3 (£m)

	Option 2 – Freeport, but no seed capital	Option 3 – Freeport plus Maximum Ask seed capital
Class 1 NIC exemption	26.4	53.5
Land and Buildings Transaction Tax forgone	3.6	4.9
Enhanced Structures and Buildings Allowance	118.6	185.8
Enhanced Capital Allowance Relief	Not calculated	Not calculated
Non-Domestic Rates exemption	296.7	548.0
TOTAL	445.3	792.2

The estimation of Freeport tax benefits has been updated from OBC stage using the latest tax calculator provided by the Freeport Hub based on a designation period of 8th April 2024 to 30th September 2034. Annex

F provides more detail. The value of ECAR has not been calculated. The majority of plant and machinery expenditure will be at the main rate which can be written off in the year of expenditure nationally (i.e. there is no specific benefit from Green Freeport location). Given the national position, the only ECAR benefit is special rate expenditure, which would include solar PV, lift shafts and thermal insulation (e.g. for frozen or chilled food manufacturing, storage and distribution). There is insufficient information available at present to determine the specific value of special rate plant and machinery costs, but it is thought unlikely to be significant given the sectoral focus and likely building types and heights which will be developed across the majority of the tax sites.

At this stage it has not been possible to value the benefits of potential ICFGF customs sites. As the Strategic Case notes, the opportunity for customs sites is being actively progressed by a number of the port operators. Across the ICFGF as a whole, there is scope to use customs site status to attract and support the growth of SMEs with export ambitions across multiple supply chains. A key element of customs sites will be the use of anchorages as floating production lines to support the assembly of floating offshore wind turbines. Customs site status will simplify the incorporation of imported goods and materials into structures, as well as the transfer of components and structures between Port of Cromarty Firth, Nigg Energy Park, Pitcalzean, Ardersier and Deephaven. At Inverness Port, opportunities are being explored to develop a customs site for marine technology, including the manufacture and export of aquaculture equipment as well as renewables components.

It is also too early to estimate potential trade flows. The qualitative contribution of the seed capital options to trade and investment, productivity/agglomeration, innovation, inclusive growth and the net zero transition are assessed in Sections 2biii (Qualitative Benefits Appraisal) and 2biv (Wider Impacts) later in this section.

Deadweight loss

In assessing deadweight loss, two components need to be considered. The first is the extent to which activity would come forward on the subject sites anyway in the absence of ICFGF. This is estimated in the Option 1 Reference Case. The level of deadweight on investment and jobs is clearly shown in Table 15 and Figure 8. However, as the discussion above makes clear, while there will be some activity on some of the tax sites without ICFGF, the level of activity will be at a lower scale, lower value added and/or take longer to emerge.

The second component, sometimes referred to as “displacement” represents a level of “occupier deadweight” in Options 2, 3 and 4 associated with the physical re-location of businesses, jobs and GVA to the Green Freeport from elsewhere in the UK. In considering a plausible level of physical displacement or occupier deadweight, two issues need to be considered. First, from a sectoral perspective, much of the opportunity at ICFGF will be in serving emerging new UK sectors in floating offshore wind (FLOW) and green hydrogen production, with innovation also driving new start up and business expansion in the fields of marine technology and life sciences. The UK does not yet have a well-developed supply chain in relation to FLOW and green hydrogen. Indeed, one of the strongest strategic arguments for ICFGF is that it has the potential to genuinely deliver this by capturing local manufacturing content in the UK for the first time. The 2024 Offshore Wind Industrial Growth Plan¹⁶ notes that the UK currently has just two blade facilities, and forecasts a requirement for a 50% increase in blade manufacturing capacity by 2027 and a further doubling of capacity by 2030 (i.e. at least two further blade factories). It also notes that there is no current UK tower manufacturing capacity at all, despite its forecast requirement for 300 towers in the period 2024 to 2030. In relation to cables, the plan notes the announcement of two new cable factories in 2023 (one at ICFGF), but stresses the supply constraints that will impact on Europe and global supply and the need to secure two further HVDC cable manufacturing facilities for the UK. It also highlights the need for the UK to secure floating foundation facilities. There is also known inward investor interest in relation to nacelles. The embryonic nature of the UK’s wind energy manufacturing sector and the first mover advantage which ICFGF creates for the UK means that the chances of intra-UK boundary hopping are much lower than would be expected in more mature sectors with mature UK supply chains.

¹⁶ https://cdn.ymaws.com/www.renewableuk.com/resource/resmgr/publications/reports/Offshore_Wind_Industrial_Gro.pdf

The second consideration is the Green Freeport controls which will be in place to minimise displacement. This process has already begun with the Tax Site Delivery Agreements, and further local control will be imposed through the governance arrangements set out in the Management Case. Taking both issues into account, “displacement” (to use NDR retention terminology) or “occupier deadweight associated with intra-UK relocation” is assessed as 12.5%. For economic impact assessment purposes, this assumption is also applied at the Scottish level. A sensitivity test is included for this parameter at Table 18.

Other additionality assumptions

Table 17 sets out the other additionality assumptions that have been applied in the options appraisal to arrive at net additional benefits for inclusion in the Value for Money (VfM) appraisal that follows in Section 2bii. The derivation of the multiplier effect summarised in Table 17 is discussed in detail in Annex F and the rationale for values assumed for the other parameters is discussed below.

Table 17: Additionality assumptions

Additionality parameter	Spatial level of analysis			
	Inverness and Cromarty Firth	Highlands and Islands	Scotland	United Kingdom
Occupier deadweight (NDR "displacement")	0%	2.5%	12.5%	12.5%
Product market displacement	3%	5%	7.5%	10%
Leakage	5%	1%	0%	0%
Labour market substitution (at 5 years)	5%	6%	40%	50%
Labour market substitution (at 10 and 25 years)	3%	4%	25%	35%
Type II multiplier – jobs – at 5 years	0.07	0.10	0.65	0.98
Type II multiplier – jobs – at 10 years	0.08	0.11	0.65	0.98
Type II multiplier – jobs – at 25 years	0.13	0.16	0.65	0.98
Type II multiplier – GVA at 5 years	0.07	0.10	0.68	1.02
Type II multiplier – GVA at 10 years	0.08	0.12	0.68	1.02
Type II multiplier – GVA at 25 years	0.13	0.16	0.68	1.02
Type II multiplier – income – at 5 years	0.05	0.08	0.54	0.82
Type II multiplier – income – at 10 years	0.07	0.10	0.54	0.82
Type II multiplier – income – at 25 years	0.11	0.14	0.54	0.82

Product market (competitive) displacement is assessed as low, even at the UK level. As described above, ICFGF is engaging in new sectors for the UK and will have a first mover advantage in most many of the activities being targeted. The potential for intra-UK displacement is therefore very low indeed.

Leakage is assessed as very low because it is considered that the vast majority of workers will live locally within the ICFGF area. This is justified on the basis that the ICFGF area is a very large geographical area with highest population density in areas within commuting distance to tax sites and with very low population densities within commutable distances beyond the ICFGF’s 45km boundary.

Much of the labour supply needed to meet the demand for jobs at ICFGF will be met through in-migration to the area, helping ICFGF to meet its SMART regional target of tackling working age population decline. For that reason, the potential for labour market substitution at the local and Highlands and Islands level is assumed to be minimal, but it will clearly be much more significant at the Scotland and UK levels. Given the uncertainty around the calibration of this parameter, a sensitivity test is provided at Table 18 to demonstrate the impact of a higher rate of substitution on Value for Money.

Substitution is a negative adjustment in the economic impact assessment, but in reality a renewables-led labour market substitution of high skilled workers from declining job opportunities in oil and gas is an essential part of the net zero transition. A recent report by the Energy Transition Institute at Robert Gordon University in Aberdeen estimates that 95,000 offshore energy jobs are at risk if investment in renewables in the UK does not increase substantially at a time when oil and gas activities are in rapid decline¹⁷. In this context labour market substitution is not only essential, but urgent, and ICFGF can play a critical role in supporting this national imperative.

2bii. VfM appraisal

Three approaches have been taken to the assessment of Value for Money (VfM):

- **Approach 1:** is a cost benefit analysis where the benefit streams are Gross Value Added (GVA) associated with the net additional employment impacts of the Freeport, the capital (embodied) carbon and operational carbon emissions arising from tax site construction and operation and the positive carbon influence associated with the production of green hydrogen on tax sites. The GVA analysis has involved a granular, “bottom-up” assumptions about the sectors of employment for each tax sub-project in each option (see Annex F for more details). The methodology used for the derivation of carbon control and carbon influence is set out in Annex E (Decarbonisation Plan). The approach to valuation for the purposes of VfM analysis is provided in Annex F.
- **Approach 2** is a cost benefit analysis based on a combination of net additional impacts, including Land Value Uplift, welfare gains from labour supply (new entrants to the labour market) and the impact of seed capital options in enabling a move to more productive jobs, leading to higher wages from more efficient tax site delivery. Carbon benefits/disbenefits are also included in this Approach 2.
- **Approach 3** is an assessment of the cost-effectiveness of the seed capital options in delivering the two SMART targets set for ICFGF.

Approaches 1 and 2: cost benefit analysis

In both approaches, all private sector costs associated with tax site delivery are treated as an economic disbenefit.

The quantified benefits are only those associated with land designated as tax sites. Wider benefits from potential NICs or NDR-funded activity delivered within the ICF boundary are excluded.

In relation to carbon, carbon control (embodied and operational carbon) and the direct carbon influence associated with tax site hydrogen production is included. However, the wider influence associated with the ICFGF’s enabling of FLOW is not included. This is because the full costs associated with manufacturing of FLOW components, and the costs of their deployment, operations and maintenance have not been estimated and it would be inappropriate to claim the carbon influence of FLOW without including these further costs in the cost benefit analysis.

In both approaches, the value for money is presented over a 26-year period from 2024/25 (Year 0) to 2049/50 (Year 25) for all four levels of geography: Inverness and Cromarty Firth; the Highlands and Islands, Scotland, and the United Kingdom. Any 2023/24 (Year -1) expenditure (e.g. on planning or project development) on seed capital projects is included, having been inflated to 2024/25 prices.

The scope of public sector costs in the VfM appraisal is as follows:

- Green Freeport seed capital
- Other public sector matched funding for seed capital projects

The VfM of seed capital is revealed by assessing the marginal benefits (and disbenefits) and public sector costs of Option 3 (Green Freeport plus Maximum Ask seed capital), over and above Option 2 (Green Freeport with no seed capital).

¹⁷ <https://www.rgu.ac.uk/wp-content/uploads/2023/09/powering-up-the-workforce.pdf>

Optimism Bias

Seed capital project applicants are known to have included risk-based contingencies in their financial profiles, but the project costs provided exclude optimism bias. In accordance with the Green Book it is appropriate, in addition, to apply an adjustment for Optimism Bias as part of the Economic Case VfM appraisal. For the purposes of both the OBC and FBC, all of the tax site investment has been classified as “standard civil engineering”. In line with the Supplementary Guidance to HM Treasury’s Green Book on Optimism Bias (OB), the unmitigated OB at Outline Business Case stage for this category of works is 44% on capital expenditure.

In order to inform the ICFGF FBC, an OBC has been developed for each of the seed capital projects. A standard approach to the assessment of Optimism Bias was adopted in each case and the level of unmitigated OB which emerged from this work ranged from 10.3% in one case with very good project information (and a track record of delivering identical projects) to 44% for a project at a very early stage of project development. The present value of total project base costs (excluding OB) was used to derive an overall weighted average OB of 21.3%. The Present Value of all costs – both private (disbenefit) and public (cost), which already include contingencies, have therefore been adjusted upwards by 21.3% in all of the VfM analysis that follows.

Potential Optimism Bias is presented to inform decision-makers, but it is excluded from project budgets. Should Optimism Bias occur, then additional investment would be required. However, it has been made clear to seed capital applicants that seed capital should be considered capped at £25m in cash terms and that any project cost overruns would need to be met from other funding sources.

VfM findings

The results of the VfM analysis of seed capital for Approach 1 (GVA and carbon) are presented in an Appraisal Summary Table at Table 18. This is followed by an Appraisal Summary Table for Approach 2 (LVU, labour supply, wage uplift and carbon) presented at Table 19. The Appraisal Summary Tables detail the marginal benefits and costs as described above, the Net Present Social Value (NPSV) and the Benefit Cost Ratio (BCR). Switching values for both benefits and costs are also presented.

In summary, the NPSV is substantially positive in Option 3 under both approaches. Using Approach 1, the Option 3 NPSVs range from £2.98bn at the ICF level to £3.11bn at the UK level. In Approach 2, the NPSVs range from £1.03bn at the ICF level to £0.89bn at the UK level..

Using Approach 1 (GVA and carbon), the Option 3 BCRs range from 10.1 at the ICF level to 10.5 at the UK level. Using Approach 2 (LVU, labour supply, wage uplift and carbon), the Option 3 BCRs range from 4.2 at the ICF level to 3.7 at the UK level.

In Approach 1, the switching values demonstrate that benefits would need to be more than 90% lower, and public sector costs at least 1050% higher for the BCR to fall below 1 at the UK level. In Approach 2, benefits would need to be 73% lower and costs 374% higher for the BCR to fall below 1.

Although the focus of this section has been on the VfM of seed capital, it is possible to explore the impact on the Benefit Cost Ratio when the marginal Exchequer revenue forgone from the estimated Green Freeport tax, national insurance and NDR reliefs stimulated by seed capital are taken into account. Under Approach 1 (GVA and carbon), the BCR at the UK level would fall from 10.5 to 5.1. Under Approach 2 (LVU, labour supply, wage uplift and carbon), and again at the UK level, the BCR would fall from 3.7 to 1.8. Although not required by the guidance, this is further confirmation that seed capital represents good value for money.

Table 18: Appraisal Summary Table for VfM Approach 1 (based on GVA and carbon)

	INVERNESS AND CROMARTY FIRTH	HIGHLANDS AND ISLANDS	SCOTLAND	UNITED KINGDOM
	Option 3 - Maximum Ask Seed Capital with a 10 year tax site designation, over and above Option 2 Freeport (10 years) with no Seed Capital	Option 3 minus Option 2	Option 3 minus Option 2	Option 3 minus Option 2
Present Value of net additional GVA benefits (£m)	4,550.8	4,617.4	4,679.0	4,679.0
Present Value of net additional direct carbon influence (benefit) (£m)	788.1	788.1	788.1	788.1
Present Value of net additional carbon control (disbenefit) (£m)	-226.2	-226.2	-226.2	-226.2
Present Value of net additional private costs (disbenefit) (£m) (adjusted for OB)	-1,804.0	-1,804.0	-1,804.0	-1,804.0
Present Value of net benefit £m	3,308.8	3,375.3	3,436.9	3,436.9
Present Value net additional Public Sector Costs (£m) (adjusted for OB)	326.3	326.3	326.3	326.3
Net Present Social Value (£m)	2,982.5	3,049.0	3,110.6	3,110.6
Benefit Cost Ratio	10.1	10.3	10.5	10.5
Switching Value Benefits (% reduction in PV of benefits for BCR to be less than 1)	-90%	-90%	-91%	-91%
Switching Value Costs (% increase in PV Public Sector Costs required for BCR to be less than 1)	1014.0%	1034.4%	1053.3%	1053.3%

Table 19: Appraisal Summary Table for VfM Approach 2 (LVU, labour supply, wage uplift and carbon)

	INVERNESS AND CROMARTY FIRTH	HIGHLANDS AND ISLANDS	SCOTLAND	UNITED KINGDOM
	Option 3 - Maximum Ask Seed Capital with a 10 year tax site designation, over and above Option 2 Freeport (10 years) with no Seed Capital	Option 3 minus Option 2	Option 3 minus Option 2	Option 3 minus Option 2
Land Value Uplift (£m)	222.3	222.3	222.3	222.3
Present Value of Labour Supply benefits (£m)	91.0	92.3	92.3	93.6
Present Value of wage uplift from more productive jobs (£m)	2,285.6	2,306.3	2,162.6	2,145.1
Present Value of net additional direct carbon influence (benefit) (£m)	788.1	788.1	788.1	788.1
Present Value of net additional carbon control (disbenefit) (£m)	-226.2	-226.2	-226.2	-226.2
Present Value of net additional private costs (disbenefit) (£m) (adjusted for OB)	-1,804.0	-1,804.0	-1,804.0	-1,804.0
Present Value of net benefit £m	1,356.8	1,378.8	1,235.0	1,218.9
Present Value net additional Public Sector Costs (£m) (adjusted for OB)	326.3	326.3	326.3	326.3
Net Present Social Value (£m)	1,030.5	1,052.5	908.7	892.6
Benefit Cost Ratio	4.2	4.2	3.8	3.7
Switching Value Benefits (% reduction in PV of benefits for BCR to be less than 1)	-76%	-76%	-74%	-73%
Switching Value Costs (% increase in PV Public Sector Costs required for BCR to be less than 1)	415.8%	422.6%	378.5%	373.5%

Sensitivity of seed capital VfM

In order to test the sensitivity of the NPSV and BCR to changes in key performance parameters under the two VfM approaches, the series of tests shown in Table 20 have been carried out. These tests have been applied on top of a base case that already assumes Optimism Bias of 21% on all public and private costs. The value for money of both seed capital options is resilient when the tests are applied to both VfM analyses.

Table 20: Sensitivity tests and results: Option 3 Maximum Ask seed capital; NPSV and BCR over 25 years at the UK level

	VfM Approach 1: UK VfM based on GVA and carbon		VfM Approach 2: UK VfM based on LVU, labour supply, wage uplift and carbon	
	NPSV	BCR	NPSV	BCR
Base case (including OB on all costs at 21%)	£3.11bn	10.5	£0.89bn	3.7
Sensitivity Test 1: Total development costs increase by 25% (on top of base costs including contingency and 21% OB on costs)	£2.58bn	7.3	£0.36bn	1.9
Sensitivity Test 2: Occupier Deadweight ("NDR Displacement") increases to: 5% ICF, 7.5% Highlands and Islands, 25% Scotland and 25% UK	£2.44bn	8.5	£0.57bn	2.8
Sensitivity Test 3: Land Value Uplift decreases by 25%	n/a	n/a	£0.84bn	3.6
Sensitivity Test 4: Wage uplift decreases by 25%	n/a	n/a	£0.36bn	2.1
Sensitivity Test 5: net additional GVA decreases by 25%	£1.94bn	6.9	n/a	n/a
Sensitivity Test 6: Labour market substitution increases to 60% Scotland and 70% at UK level (at year 5) and to 40% Scotland and 50% UK (years 10 and 25)	£2.03bn	7.2	£0.38bn	2.2

Approach 3: Assessment of cost-effectiveness of delivery of SMART targets

It is clear from the Strategic Case (Section 1ci1) and the Economic Case that seed capital will lead to a step change in the delivery of tax sites. Seed capital will unlock substantially more, higher value added activity compared to a Freeport-only scenario. With Freeport benefits alone, and without seed capital, ICF will principally be a marshalling and assembly hub for Floating Offshore Wind. It will be a lost opportunity for UK plc in failing to capture the potential manufacturing content available to an area which is uniquely well-placed in the UK to make the most of the offshore energy revolution. Moreover, vital sites benefiting other key sectors such as life sciences, marine technology and hydrogen will not be taken forward.

There are substantial further benefits that can be unlocked by seed capital in Option 3, not just for tax sites, but for the wider ICF area. These include off-site highway improvements, without which industrial and housing development in the Invergordon area will be stymied, the ability to develop a substantial area of underutilised land at Deephaven with much better deep-water access, as well as adding a fourth, complementary port reconfiguration to support marine aquaculture and other marine technologies at the Port of Inverness. Assessed purely in terms of additional investment unlocked, £25m of investment in Option 3 will unlock a further £1.75bn of tax site investment which would not otherwise occur. As the discussion above demonstrates, the prize is substantially bigger. On this basis, investment of £25m seed capital in Option 3 is judged to be highly cost-effective.

2biii. Qualitative benefits appraisal

The VfM analysis above is focused on those benefits which it is possible to quantify at this stage in the business case process. This section provides a qualitative assessment of those benefits for which quantitative assessment has not been possible. Table 21 provides two assessments: a) an assessment of potential qualitative benefits using a four-point scale of low, medium, high and very high impact; and b) an assessment of the probability of these benefits being achieved using a four-point scale of low, medium, high and very high probability. This demonstrates how and where seed capital adds value in qualitative terms.

2biv. Wider impacts

The Value for Money appraisal is, as described earlier, focused on quantitative, monetisable benefits. Beyond those quantifiable benefits, and the qualitative benefits appraisal provided at 2biii, the FBC is also required to consider wider impacts. The following analysis addresses topics prompted by FBC guidance. In doing so, the wider impacts assessment explores aspects of ICFGF performance which are key to the quantitative assumptions made in the VfM appraisal and the assessment of non-quantifiable benefits, as well as indicating the wider impact potential of ICFGF.

The attraction of additional jobs and investment to the Green Freeport location

Table 15 showed the estimated net additional jobs that ICFGF could deliver under different options through tax site delivery enabled by a combination of Green Freeport incentives and seed capital. The level of additionality for the Green Freeport area is relatively high. The reason for this is that the dominant sectors that will locate in the ICFGF area are renewable energy, with at least 60% of the forecast activity in floating offshore wind, and green hydrogen (and its related derivatives like green ammonia and e-methanol). The ICFGF area is the best location in Scotland to create an internationally competitive floating offshore manufacturing hub.

The ICFGF area is an ideal location because of its unique scale and diversity of land with North Sea access. It can serve a fast-growing sector that does not currently exist anywhere else in the UK at the scale envisaged. It also is well positioned to be a place for green hydrogen production, an activity with significant export potential to Northern Europe as well as supporting the decarbonisation of local industry.

The UK has a major opportunity to attract internationally-mobile offshore renewable manufacturing investment and the ICFGF provides the nation with a rare first-mover advantage. Evidence in the Strategic Case points to floating wind technology as underpinning some 80% of the world's offshore wind potential. It is expected that investment in the ICFGF will come from many countries including Japan, Denmark, Spain and Norway. The scale of this potential investment is such that it is capable of generating strategically important exports for the UK while supporting wider levelling up and energy security objectives.

Table 21: 2biii Qualitative benefits appraisal

Benefit type	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
Productivity, agglomeration, and high value cluster development	Impact: None Probability: N/A With no Freeport there would be some activity, but limited to marshalling and assembly. Realising the potential from ScotWind and INTOG to develop a manufacturing cluster would be lost, other key sectors like marine technology and life sciences will not expand and it is much less likely that hydrogen production will occur.	Impact: Low Probability: Low The potential to secure some modest cluster development and associated productivity/agglomeration benefits is increased. Freeport tax and NI benefits are central to increasing the required rate of return for many end-users and thus attract more activity to designated tax sites.	Impact: Very high Probability: Very high With seed capital, key land assets are unlocked more quickly, making it very likely that there will be substantial port expansion in Nigg, Invergordon, Deephaven and Port of Inverness. Seed capital will lead to an increased supply of development-ready land, reducing the cost and risk to end users, enabling manufacturing alongside marshalling and assembly and bringing substantial benefits to the manufacturing clustering process including the production of hydrogen. There is potential to develop a cluster of international importance, not just to serve ScotWind and INTOG, but ScotWind 2 as well as wider export opportunities. Agglomeration potential will also be enhanced through the expansion of Inverness Campus.
Strengthening trade and investment	Impact: None Probability: N/A Existing trade position weakens with further imports of FLOW components and very limited export possibilities.	Impact: Low Probability: Low Relatively slow progress in building manufacturing cluster and possibly hydrogen production. Some benefit from customs sites, but potential will not be optimised without early port expansion and other enabling works. Some benefit to import substitution but at a limited scale.	Impact: High Probability: Very High Timely and fully optimised progress in unlocking strategic port related assets means more site options are available, attracting more Tier 1 OEM manufacturers, resulting in faster and more substantial import substitution and export related benefits. Better alignment of incentives with site availability and offshore renewables has a transformational impact on the attraction of FDI, increasing the pace and scale of investment and generating substantial import substitution and export gains. FLOW opportunities include blades, towers, further cable opportunities, nacelles/turbines, and innovative floating foundation components.
Driving research and innovation	Impact: None Probability: N/A R&D and innovation in region remains on a business-as-usual trajectory, with limited potential linked to marshalling and assembly activity. Most manufacturing R&D	Impact: Low Probability: Low Relatively slow progress in building manufacturing/hydrogen cluster is reflected in slow rate of indigenous R&D activity and innovation. Inverness Campus Phase 2 and the Longman landfill site remain completely stalled.	Impact: Very high Probability: Very high Increased momentum in growth of port and manufacturing activity enabled by addition of seed capital stimulates more supply chain interaction and collaborative R&D efforts to drive down costs in offshore renewables manufacturing and deployment. The presence of

Benefit type	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
	and associated innovation takes place outside Scotland and the UK, probably in Northern Europe. Inverness Campus Phase 2 does not proceed.		Tier 1 OEMs and developing supply chains will act as a catalyst for R&D and innovation.
Delivering inclusive growth	Impact: None Probability: N/A In the absence of the Freeport job opportunities are mainly low value added with substantially more sub-contracting of activity and fixed term contracts offering less job security. As a result, it is likely that there would be little if any impact on net outward movement of population of younger working age from the area.	Impact: Low Probability: Low More permanent, higher paid jobs begin to emerge with some additional manufacturing activity and more long-term marshalling and assembly activity. This enhances the vibrancy of the local labour market with some limited impact on retention of population of working age. A supportive ICFGF Skills and Training Strategy helps to address access issues and alleviate deprivation challenges in the region by improving access for those furthest from the labour market to entry level jobs and potential to progress through upskilling.	Impact: Very high Probability: Very high Additional benefits of seed capital help to create a step change with additional and more highly skilled job opportunities. A 'thicker' labour market will also help to reduce negative impacts of labour poaching between firms and minimising labour market substitution. It will make it more likely that the area will become well known as a location for high skilled, well-paid employment. Well paid jobs will attract and retain younger workers and their families, helping to reverse the net outflow of working age population from the area.
Supporting the net zero transition	Impact: None Probability: N/A Without a freeport, ICF will continue in its existing marshalling and assembly role, largely in line with the current fixed platform operational model. The opportunity to support the net zero transition as it relates to the development of a manufacturing cluster is not realized and progress in local hydrogen production to support local industrial decarbonisation will be slow.	Impact: Medium Probability: Medium The potential to secure cluster development and associated productivity/ agglomeration benefits is increased somewhat, but fails to meet its full potential. Key seed capital projects such as the decarbonisation of the Port of Inverness do not take place.	Impact: Very high Probability: Very high This offers the best option to ensure delivery of all of the seed capital projects with potential to contribute to the net zero transition, including on-shore green hydrogen production. The Port of Inverness decarbonisation project would also be able to proceed in this option. Sustaining the strategic added value offered by the ICFGF over its ten year lifespan will make it more likely that co-ordination challenges around connectivity of offshore renewables to hydrogen production can be more likely to be overcome, offering greater strategic potential in the net zero transition. There is also an opportunity in this option, unlike others, to increase the pace and scale of offshore wind delivery by fully optimising ICF as an offshore renewables manufacturing hub.

Table 22: provides a summary appraisal of the performance of the options in these terms. The addition of seed capital in Option 3 is key to unlocking sites which will both enhance the ICFGF's potential to attract additional jobs and investment, but also increase the likelihood that these impacts will be achieved.

Table 22: Wider impact option performance: attraction of additional jobs and investment to the Green Freeport location

	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
Wider impact potential	Very low	Medium	Very High
Probability of attainment	Low	Low	Very High

Clustering and agglomeration benefits

The ICFGF offers the opportunity to build an extensive cluster of inter-related manufacturing and service activity associated with the floating and fixed offshore wind sectors, on-shore renewable energy and marine technology. Such clusters reflect the advantages that arise to companies in various parts of the supply chain from locating relatively close to each other. They are of great importance given the high levels of capital expenditure involved, the high costs associated with transporting very large floating offshore wind turbine components as well as the logistic challenges involved in manufacturing, marshalling and assembling them. Besides these benefits, the vitality of the cluster is also enhanced by the advantages to all the businesses of being able to draw on a deep pool of labour, interact easily with customers and suppliers and, crucially, be part of an extensive green energy innovation ecosystem.

The Offshore Renewable Energy (ORE) Catapult¹⁸ highlights the importance of developing regional 'port clusters' around hub facilities where the substructure and FLOW marshalling and assembling will be based and emphasises that *"in the context of the UK floating offshore wind opportunity, developing appropriate infrastructure for the manufacture and assembly of substructure components and marshalling and assembly of floating offshore wind turbines and substructures is critical"*. The research shows the importance of co-location synergies as they relate to the wind turbine blade, nacelle, and tower facilities and monopile manufacturing facilities and jacket foundation fabrication yards.

Table 23 provides a summary appraisal of the wider clustering and agglomeration performance of the options. The addition of seed capital will significantly enhance the cluster development impact of the ICFGF.

Table 23: Wider impact option performance: cluster and agglomeration impacts

	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
Wider impact potential	None	Low	Very High
Probability of attainment	N/A	Low	Very High

Building the local innovation system

One of the main benefits from the ICFGF assembly and manufacturing cluster will be its contribution to innovation in the green energy sector with the opportunity of being world leading in marine technology, including cutting edge pontoon and dock design. HM Government has emphasised the importance of creating hotbeds of innovation in research and development ensuring collaboration between the private and public sectors in the places to encourage new ideas and technologies (DLUHC, 2021)¹⁹. Research indicates that until the early 2030s reductions in the cost of floating

¹⁸ ORE (2022). <https://ore.catapult.org.uk/?orecatapultreports=fow-coe-strategic-infrastructure-and-supply-chain-development>

¹⁹ DLUHC (2021) <https://www.gov.uk/guidance/freeports>

offshore wind will be driven by the scale of development and the role of innovation in reducing risk. In the 2030s and thereafter, the primary driver will be innovation²⁰.

Beyond offshore renewables, the ICFGF will also enhance the substantial progress made in building the Inverness life science innovation system. ICFGF seed capital will directly unlock a new phase of expansion at the Campus that will attract innovative life sciences businesses as well as companies supporting other key themes such as port innovation, hydrogen and the renewables supply chain.

The Inverness Campus is the centre of a growing life sciences cluster. The cluster includes major employer Lifescan (blood glucose monitoring devices), the University of the Highlands and Islands (UHI), with its Institute of Health Research and Innovation, which leads on disease management, smarter health, rural health and wellbeing and active health, the SRUC, which specialises in epidemiology, zoonosis and infectious disease control, and NHS Highland's new National Treatment Centre.

The Inverness and Cromarty Firth innovation system is already well developed. Companies can access a wide range of innovation support from Highlands and Islands Enterprise (HIE) which is also based at Inverness Campus. HIE innovation support includes innovation advisors, R&D grants, technology placements and accelerators. Companies also have access to the innovation support provided by the Scottish Innovation Centres and the National Manufacturing Institute of Scotland (advanced manufacturing, forming and materials). The Innovation Centres are hosted by various Scottish universities and the UK-wide High Value Manufacturing Catapult network can also be accessed through NMIS. Academic partnerships are also assisted by Interface while the Northern Innovation Hub, part of the Inverness and Highland City-Region Deal, also delivers a range of innovation support to businesses. The delivery of high value added activity at Inverness Campus and beyond is further supported by the inclusion of the recently opened Life Sciences Innovation Centre (LSIC) and SRUC's new Rural and Veterinary Innovation Centre (RAVIC), which although they are not included in the ICFGF tax site, are immediately adjacent and are recent key additions to the innovation system. Campus expansion will facilitate the delivery of innovation-led growth in life sciences and marine technology in Inverness, providing a boost to local growth by servicing land to accelerate the growth of new start-ups graduating from LSIC and RAVIC.

Table 24 provides a summary appraisal of the wider innovation performance of the options. The attraction of more manufacturing activity through addition of seed capital will increase the probability that high-impact innovation activity will be embedded in the area, supporting the further productivity growth within key sectors.

Table 24: Wider impact option performance: innovation

	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
Wider impact potential	None	Low	Very High
Probability of attainment	N/A	Low	Very High

Labour market and related outcomes

The most recent population projections from National Records for Scotland (NRS) show that working age population is expected to decrease by 5.4% in Highland between 2018 and 2043, compared to a Scottish average of -0.2%²¹.

²⁰ ORE (2022): <https://ore.catapult.org.uk/?orecatapultreports=fow-coe-strategic-infrastructure-and-supply-chain-development>

²¹ <https://www.nrscotland.gov.uk/files//statistics/population-projections/sub-national-pp-18/pop-proj-principal-18-data.xlsx>

While ICFGF alone will create a significant number of jobs, as discussed at various points above, the seed capital will enable the attraction of relatively high value, higher wage permanent job opportunities. These will enhance the economic vitality of the local labour market, helping to tackle the decline in working age population.

The ability of the labour force to take advantage of these more productive jobs will be assisted by a proposed ICFGF Skills Programme which will seek to attract investment in skills development using the National Insurance Contributions (NICS) relief which are being invested in a Training and Skills Development Fund. The activities of the Fund will be coordinated with the key delivery partners of SDS, UHI, Highland Employability Partnership, DWP and local Developing the Young Workforce groups.

Table 25 provides a summary appraisal of the wider labour market impact of the options. The creation of higher levels of activity through seed capital will increase levels of employment and attract more working age families to the ICFGF area. More and higher wage tax site jobs will attract a higher level of NICs available to support wider skills development. The probability of these impacts being embedded for the longer term will be higher in Option 3 where higher skilled manufacturing employment is more likely.

Table 25: Wider impact option performance: labour market and related outcomes

	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
Wider impact potential	None	Low	Very High
Probability of attainment	N/A	Low	Very High

Delivering inclusive growth

The number and the quality of the jobs provided by the ICFGF present an opportunity to help those in the local area who are relatively disadvantaged. It is intended that the ICFGF Skills Plan (Annex L) will target support initiatives on those in the local labour market who are not currently in employment and those who are economically inactive. The intention is to widen the local labour pool by providing routes into entry level roles for disadvantaged groups. Once they are engaged in employment, a focused skills programme will provide the opportunity for upskilling.

Beyond its contribution to the labour market, ICFGF will also be improving the physical and environmental quality of many of the sites that it is bringing into use. A clear example of this is the regeneration of the Longman landfill site and land reclamation at Harbour Gait which besides bringing forward under-utilised land into productive use, will unlock land capable of regeneration in Inverness Merkinch, which is within the 15% most deprived data zones in Scotland on the Scottish Index of Multiple Deprivation 2020²².

Table 26 provides a summary appraisal of the wider inclusive growth impacts of the options. ICFGF's ability to implement Fair Work principles will be at its highest in those options that have the potential to attract more, higher skilled, better paid, permanent manufacturing jobs and where NICs retention increases the potential to support training and access to employment for the most disadvantaged groups. At site level, potential to enhance physical and environmental quality is also strongly linked to the availability of seed capital in Option 3. The probability of these impacts being achieved will be higher in Option 3 compared with Option 2.

²² <https://www.gov.scot/collections/scottish-index-of-multiple-deprivation-2020/>

Table 26: Wider impact option performance: inclusive growth outcomes

	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
Wider impact potential	None	Low	Very High
Probability of attainment	N/A	Low	Very High

Promote decarbonisation and a just transition to a net zero economy by 2045

Substantial investment in port, assembly, and manufacturing supply chain that is enabled through ICFGF and seed capital will allow it to capitalise on the area's unique natural advantages. Eleven of the 19 new sites in the ScotWind leasing round are in the Highlands and Islands and ICFGF will contribute to the net zero objective by supporting rapid build-up of floating offshore wind output.

The potential to deploy green hydrogen at scale in the ICFGF area, including on some tax sites, will help decarbonise the supply chain by providing zero emission fuel for industry (e.g. distilleries), as well as transportation (incl. HGVs, rail and aviation). As discussed earlier, by assisting energy intensive manufacturing to be close to renewable energy, it can allow decarbonisation in traditionally energy intensive industries. The Decarbonisation Plan which supports the FBC can be found at Annex E. A carbon emissions impact appraisal is provided at Section 2bvi.

Table 27 provides a summary appraisal of the wider impact of ICFGF in its ability to promote decarbonisation and a just transition to a net zero economy by 2045. Without the Freeport benefits, these wider impacts will not be attained and the Inverness and Cromarty Firth will continue along the same trajectory, engaging in relatively low value added, lower skilled, lower paid marshalling and assembly jobs with limited ability to influence the trajectory of FLOW which will, in turn, delay the delivery of renewable electricity needed for hydrogen production, as well as the wider UK transition to Net Zero. Freeport designation (Option 2) will help, but seed capital's ability to unlock land for development and create critical infrastructure to support FLOW and hydrogen production (e.g. quayside and pipeline capacity) will be key to the attainment of these impacts. As with other aspects of ICFGF performance, the level and probability of impact is at its greatest in Option 3.

Table 27: Wider impact option performance: decarbonisation and just transition to net zero

	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
Wider impact potential	None	Medium	Very High
Probability of attainment	N/A	Medium	Very High

Equalities

It is intended that all labour market interventions undertaken by ICFGF stakeholders will be underpinned by Fair Work principles. The ICFGF board has introduced the Inverness and Cromarty Firth Fair Work Charter which adopts Scottish Government's Fair Work First guidance and the Fair Work Convention with its commitment to ensure that work opportunities are Fair, Secure, Respectful, and Inclusive.

Through its tax site delivery agreements, the ICFGF company has required landowners, end users or connected employers to contribute financially to a skills fund, enabling the delivery of a ten-point plan for skills and importantly the Fair Work charter. In this way, they have signed up to commitments on having a positive impact on people with protected characteristics and socio-economic disadvantage in the Highlands. There is an expectation that businesses in tax and customs sites will comply with relevant equalities laws, regulations and planning obligations, going further where possible by supporting wider programmes.

As noted in the Strategic Case (1f Equalities), ICFGF through its Powerhouse initiative will seek to build on existing initiatives to proactively promote green energy opportunities to women, people with disabilities and people from minority ethnic groups. The Green Freeport Skills Fund, supported by contributions from employers on tax sites, will help fill gaps in existing provision

Table 28 provides a summary appraisal of the wider impact of ICFGF in its ability to tackle inequalities. In terms of wider impact potential, Option 3 provides many more employment opportunities and additional funding available to the Powerhouse from employer contributions to drive forward this agenda. For that reason its impact will be higher than Option 2. The probability of attainment is similar, because there is not likely to be any difference between the options in the pathways through which these impacts would be delivered.

Table 28: Wider impact option performance: equalities

	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
Wider impact potential	None	Medium	High
Probability of attainment	N/A	High	High

Environmental impact

As noted in the Strategic case (1g. Environmental impact), the wide range of possible implications for the environment are being carefully considered to allow for the Green Freeport developments to be supported and enabled. Each project will undertake their own specific studies via Environmental Impact Assessment (EIA) and Habitats Regulation Appraisal (HRA) processes to ensure that all relevant environmental implications are identified and that the mitigation hierarchy has been applied and implemented.

Beyond these mainstream planning processes, ICGF has also committed to undertake a baseline ecological survey of the wider ICF area, across both marine and terrestrial habitats.

ICFGF has also set out a range of biodiversity outcomes which are captured in and complemented by its wider Net Zero and Sustainability Charter (see Appendix 1). These outcomes and potential improvements are aimed at promoting nature recovery, supporting resilience to future climate change and avoiding and where necessary mitigating possible adverse impacts.

A suite of projects and opportunities identified around the ICF area will provide a focus for delivering biodiversity enhancement, building and strengthening nature networks, identifying and connecting biodiversity sites of local and regional importance with each other and with other protected sites (in compliance with NPF4) and provide the Green Freeport and site tenants with clear pathways to delivering on the biodiversity outcomes.

Wider impact will be further enhanced by the work that Highland Council officers are doing to identify other key stakeholders and partners who are already actively undertaking positive nature conservation work within the area that developers within the Green Freeport can support and build upon.

Table 29 provides a summary appraisal of the wider environmental impact of ICFGF. In terms of wider impact potential, Option 3 will deliver a greater scale of overall development than Option 2, so the potential impact is likely to be higher in Option 3 compared to Option 2. However, the probability of attainment is similar, because the development pathways are similar, and the regulatory and other ICFGF pathways through which environmental impacts can be mitigated are the same in both Options 2 and 3.

Table 29: Wider impact option performance: environmental impact

	Option 1: No Freeport	Option 2: Freeport, but no seed capital	Option 3: Freeport plus Maximum Ask seed capital
Wider impact potential	None	Medium	High
Probability of attainment	N/A	High	High

2bv. Risk appraisal

This section considers specific risks to Freeport tax site delivery and the deployment of seed capital which could impact on the performance of the three main intervention options as described above. This draws on a selection of key risks to economic impact and VFM as set out in the ICFGF Risk Register (Annex B) where narrative can be found on each of the risks. The analysis is focused on Options 2 and 3 to highlight the relative risks associated with the unlocking of additional activity through seed capital.

In the risk register, Impact and Likelihood are both scored on a range from 1-5, where 1 is the lowest impact or likelihood and 5 is highest. These are then multiplied together to give an overall risk score.

The risk register provides two sets of scores: scores for risks as currently assessed, and post-mitigation or target scores.

The risks selected from the Risk Register are all those with a current risk score of 10 or above. Table 30 sets out the risk ID, risk category, cause, consequence and the current impact, likelihood and risk scores. The OBC/FBC Economic Case guidance also prompts for a post-mitigation or target score. To meet this requirement, the same risks are presented in Table 31, this time with the risk ID, risk category, cause, response, action plan and target (post-mitigation) impact, likelihood and risk scores. For risks where the response is to “reduce” them, the post-mitigation scores are lower than the current scores. For those risks which are “accepted” or “shared”, post-mitigation scores are unchanged from current scores.

Mitigation costs for risks are included in project costings.

In the sub-sections above the Economic Case has shown that without seed capital less benefit will be delivered, generating fewer jobs with lower value added and leading to a lower population impact. As seed capital delivers additional benefits by increasing the scale and value added of activity, it will also inevitably give rise to additional risk. For example, more development schemes under Option 3 will increase the planning workload (risk R4). Mitigation actions for this risk include close working between The Highland Council and ICFGF to gain visibility on potential applications, increasing the Council’s planning capacity through recruitment and ensuring that landowners are aware of the pre-application process and other requirements to minimise delays. Beyond planning, the additional employment impact of Option 3 will place greater demands on the delivery of off-site infrastructure, housing and associated public sector investment as well as demanding more intensive partnership capacity and collaboration to manage a heightened pace and scale of ICFGF activity. Capital investment and infrastructure delivery risks in Option 2 are higher due to the lack of seed capital funding.

Table 30: Intervention options risk appraisal – current (pre-mitigation) scores

Risk Status	Risk ID	Category	Cause	Consequence	CURRENT SCORE					
					Option 2: Freeport only			Option 3: Freeport plus seed capital		
					Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score
In progress	R11	Operational	Skills - Lack of local skilled labour for GFP developments	Reduced economic impact - lost opportunities to pass on GFP economic impact to local workforces and supply chains.	4	4	16	5	4	20
In progress	R1	Economic/financial	Tight timescales for GFP set-up results in missed opportunities from FLOWMIS funding	Reduced economic impact - the potential to leverage FLOWMIS benefits in the GFP area is not realised.	3	4	12	4	4	16
In progress	R3	Legal and Regulatory	Interpretation of state subsidy rules reduce benefits from GFP	Reduced economic impact; Failure to secure inward investment; Reputational risk	3	4	12	4	4	16
In progress	R4	Operational	Planning - A large influx of complex GFP planning applications stretches THC planning resources	Delays to developments; Reduced economic impact; Failure to secure inward investment; Reputational risk	3	4	12	4	4	16
In progress	R13	Operational	Infrastructure required to support development of sites are delayed or not delivered - includes roads, water, utilities and grid	Delays to development; Reduced economic impact; Additional costs - THC and /or developers	4	5	20	4	4	16

Risk Status	Risk ID	Category	Cause	Consequence	CURRENT SCORE					
					Option 2: Freeport only			Option 3: Freeport plus seed capital		
					Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score
In progress	R29	Operational	Housing - a lack of suitable housing in the GFP TTW area reduces attractiveness for investors	Reduced availability of staff; Reduced retention of staff; House price inflation causes damage to communities; Reputational risk	4	4	16	4	4	16
In progress	R24	Economic/financial	Capital investment is insufficient for GFP infrastructure needs	Failure to secure inward investment; Reduced economic impact; - failure to secure sufficient seed capital would significantly impact the establishment of the Green Freeport and would put enabling investment in tax sites at risk.	5	5	25	5	3	15
In progress	R2	Economic/financial	Co-ordination with other programmes and funding initiatives is inadequate	Reduced economic impact - the potential to maximise the reach of Green Freeport benefits by joining up with other grants programmes and government initiatives is not realised.	3	4	12	3	4	12
In progress	R7	Operational	Planning - insufficient support from key national agencies	Delays to developments; Reduced economic impact; Failure to secure inward investment; Reputational risk	4	3	12	4	3	12
In progress	R15	Strategic	Tax site developments abstracts growth from other areas in the Highlands and Islands	Reduced economic impact Regional out-migration Reputational risk	4	3	12	4	3	12

Risk Status	Risk ID	Category	Cause	Consequence	CURRENT SCORE					
					Option 2: Freeport only			Option 3: Freeport plus seed capital		
					Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score
In progress	R16	Operational	Customs sites operators are unable to secure the required authorisations for customs site designation.	Reduced economic impact - customs site economic impact are delayed and/or not realised in full.	3	4	12	3	4	12
In progress	R20	Strategic	Innovation strategy does not maximise the potential from innovation activity within the Green Freeport.	Reduced economic impact - transformation to a high value, high skilled economy is not achieved to its full potential. Failure to secure inward investment	4	5	20	4	3	12
In progress	R25	Operational	Conflicts of interest amongst consortium prevent effective operation of GFP board	Delays to decision making or poor decision making	4	3	12	4	3	12
Not started	R26	Economic/financial	Subsidy race with US and EU dilute the impact of GFP	Failure to secure inward investment; Reduced economic impact; - Inward investments are not secured at levels predicted in FBC	3	4	12	3	4	12
In progress	R27	Economic/financial	Interest rates increase	Failure to secure inward investment; Reduced economic impact; -increased cost of capital reduces the level of investment	3	4	12	3	4	12
Not started	R33	Organisational	Key members of staff leave the GFP	Delay in development of projects; Reduced benefits - economic	4	3	12	4	3	12

Risk Status	Risk ID	Category	Cause	Consequence	CURRENT SCORE					
					Option 2: Freeport only			Option 3: Freeport plus seed capital		
					Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score
Not started	R38	Environmental	Landowner proposals lead to potential adverse impacts on marine and terrestrial environment and landscape assets including designated sites	Delay to planning approvals or at worst inability to support and/or approve applications; legal challenge; increased cost: reduced benefits - economic reputational risk	4	3	12	4	3	12
Not started	R39	Environmental	Landowner proposals indicate potential adverse cumulative impacts on maritime habitats	Environmental degradation Financial cost and penalties Reputational risk	4	3	12	4	3	12
Not started	R41	Environmental	Timescales for carrying out detailed and complex environmental surveys lead to delays in projects	Delay in survey work, submission of applications, and subsequent planning approvals or at worst inability to support and/or approve applications; legal challenge; increased cost: reduced benefits - economic reputational risk	4	3	12	4	3	12
In progress	R8	Political	Availability of tax reliefs - changes to Government policy or taxation structures mean that the benefits of the tax offer are less attractive	Reduced economic impact; Failure to secure inward investment	5	2	10	5	2	10

Table 31: Intervention options risk appraisal – target (post-mitigation) scores

Risk Status	Risk ID	Category	Cause	Response	Actions Planned	POST-MITIGATION SCORE					
						Option 2: Freeport only			Option 3: Freeport plus seed capital		
						Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score
In progress	R11	Operational	Skills - Lack of local skilled labour for GFP developments	Reduce	Developing skills strategy and workstream Funding through NI recycling Talent attraction plan being developed	3	4	12	3	4	12
In progress	R1	Economic/ financial	Tight timescales for GFP set-up results in missed opportunities from FLOWMIS funding	Reduce	Monitor impact on match funding for seed capital bids. Reserve list developed for seed capital projects	3	4	12	4	4	16
In progress	R3	Legal and Regulatory	Interpretation of state subsidy rules reduce benefits from GFP	Reduce	Secure clear and timely responses from government. Submission of test case to CMA and escalate to UKG if required.	2	2	4	3	2	6
In progress	R4	Operational	Planning - A large influx of complex GFP planning applications stretches THC planning resources	Reduce	Work with GFP to gain visibility on potential applications - foresighting. Develop pilot scheme with SG to accelerate delivery - Increase THC capacity through recruitment Ensure landowners are aware on pre-app process and other mitigations through quality applications.	2	3	6	3	3	9

Risk Status	Risk ID	Category	Cause	Response	Actions Planned	POST-MITIGATION SCORE					
						Option 2: Freeport only			Option 3: Freeport plus seed capital		
						Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score
In progress	R13	Operational	Infrastructure required to support development of sites are delayed or not delivered - includes roads, water, utilities and grid	Reduce	Seed capital proposals Developing requirements and proposals with individual landowners Develop process to evaluate SC projects Develop further projects via NDR retention Develop plan to obtain matched funding Strategic transport assessment review Digital infrastructure Review - HIE	4	4	16	3	3	9
In progress	R29	Operational	Housing - a lack of suitable housing in the GFP TTW area reduces attractiveness for investors	Reduce	Local development plan - potential review Stimulate demand through developer forums	3	3	9	3	3	9
In progress	R24	Economic/financial	Capital investment is insufficient for GFP infrastructure needs	Reduce	Develop plan for raising funding - consider borrowing against NDR. Discuss with SNIB and potential private sector investors.	4	3	12	3	3	9
In progress	R2	Economic/financial	Co-ordination with other programmes and funding initiatives is inadequate	Reduce	Monitoring and foresighting of funding opportunities to be developed. Lobby for co-ordination between appropriate funds within gov.	3	3	9	3	3	9

Risk Status	Risk ID	Category	Cause	Response	Actions Planned	POST-MITIGATION SCORE					
						Option 2: Freeport only			Option 3: Freeport plus seed capital		
						Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score
In progress	R7	Operational	Planning - insufficient support from key national agencies	Reduce	THC to work with partner agencies to ensure visibility and capacity. Significant early work required with Key Agencies and statutory consultees to understand and take action on the major issues likely to be encountered in the planning and other regulatory process.	2	2	4	2	2	4
In progress	R15	Strategic	Tax site developments abstracts growth from other areas in the Highlands and Islands	Share	Develop effective talent attraction plans Monitor impact including on wider region	4	3	12	4	3	12
In progress	R16	Operational	Customs sites operators are unable to secure the required authorisations for customs site designation.	Reduce	Site determination and evaluation process in place Utilise lessons learned Monitor set ups	2	2	4	2	2	4

Risk Status	Risk ID	Category	Cause	Response	Actions Planned	POST-MITIGATION SCORE					
						Option 2: Freeport only			Option 3: Freeport plus seed capital		
						<u>Impact</u>	<u>Likelihood</u>	<u>Risk Score</u>	<u>Impact</u>	<u>Likelihood</u>	<u>Risk Score</u>
In progress	R20	Strategic	Innovation strategy does not maximise the potential from innovation activity within the Green Freeport.	Reduce	Develop and implement innovation strategy and actions	4	4	16	2	2	4
In progress	R25	Operational	Conflicts of interest amongst consortium prevent effective operation of GFP board	Reduce	Introduce Conflict of Interest Policy . Revised governance structure.	2	2	4	2	2	4
Not started	R26	Economic/ financial	Subsidy race with US and EU dilute the impact of GFP	Accept	Note that size and growth of market opportunity is main mitigation. Monitor and adapt Work with Gov on alternative funding options	3	4	12	3	4	12
In progress	R27	Economic/ financial	Interest increase rates	Accept	Monitor and adapt. Work with Gov on alternative funding options	3	4	12	3	4	12
Not started	R33	Organisational	Key members of staff leave the GFP	Reduce	Effective outsourced HR. Monitor. Mitigation from partners.	2	2	4	2	2	4

Risk Status	Risk ID	Category	Cause	Response	Actions Planned	POST-MITIGATION SCORE					
						Option 2: Freeport only			Option 3: Freeport plus seed capital		
						<u>Impact</u>	<u>Likelihood</u>	<u>Risk Score</u>	<u>Impact</u>	<u>Likelihood</u>	<u>Risk Score</u>
Not started	R38	Environmental	Landowner proposals lead to potential adverse impacts on marine and terrestrial environment and landscape assets including designated sites	Reduce	Landowner and/or ICFGF Team to establish comprehensive baseline position in respect of marine and terrestrial environment to avoid piecemeal approach. Applicants to clearly articulate likely environmental implications (both site specific and cumulative) and proposed measures for benchmarking, risk assessment, measurement, mitigation, compensation and enhancement, as well as ongoing monitoring, taking account of the potential improvements outlined in the Net Zero Charter.	3	2	6	3	2	6

Risk Status	Risk ID	Category	Cause	Response	Actions Planned	POST-MITIGATION SCORE					
						Option 2: Freeport only			Option 3: Freeport plus seed capital		
						<u>Impact</u>	<u>Likelihood</u>	<u>Risk Score</u>	<u>Impact</u>	<u>Likelihood</u>	<u>Risk Score</u>
Not started	R39	Environmental	Landowner proposals indicate potential adverse cumulative impacts on maritime habitats	Reduce	Applicants to develop maritime environmental plan to clearly articulate likely environmental implications (to avoid piecemeal approach), including benchmarking, risk assessment, measurement, mitigation, compensation and enhancement, as well as ongoing monitoring, taking account of the potential improvements outlined in the Net Zero Charter. Significant early work required with Key Agencies and statutory consultees to understand and take action on the major issues likely to be encountered in the planning and other regulatory process. Other measures for streamlining planning protocols to be considered where appropriate	2	3	6	2	3	6

Risk Status	Risk ID	Category	Cause	Response	Actions Planned	POST-MITIGATION SCORE					
						Option 2: Freeport only			Option 3: Freeport plus seed capital		
						Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score
Not started	R41	Environmental	Timescales for carrying out detailed and complex environmental surveys lead to delays in projects	Reduce	Undertaking early research and survey work to create comprehensive baseline understanding (to avoid piecemeal approach) and appropriate and proportionate actions, as well as ongoing monitoring. Other measures for streamlining planning protocols to be considered where appropriate. Engagement with KAG for early setting of expectations.	2	2	4	2	2	4
In progress	R8	Political	Availability of tax reliefs - changes to Government policy or taxation structures mean that the benefits of the tax offer are less attractive	Share	Work with other GFP and FPs to ensure a common voice to government via SRO forum	5	2	10	5	2	10

2bvi. Carbon emissions impact appraisal

In accordance with the OBC/FBC guidance, the VfM appraisal presented in Section 2bii is specifically focused on the additional costs and benefits associated with the deployment of seed capital on tax sites. This includes the capital and operational carbon costs associated with ICFGF's tax site delivery as well as the benefit of direct carbon influence from the production of green hydrogen, or green hydrogen derivatives, on tax sites. Beyond this impact, the Decarbonisation Plan at Annex E also points to ICFGF's substantial potential to have a positive influence on the reduction of carbon emissions by delivering more floating offshore wind (FLOW) capacity.

Work undertaken to update the Decarbonisation Plan at FBC stage has involved a site-by-site assessment of each tax site and the likely developments that will come forward to enable an assessment of the capital and operational carbon of the anticipated development. These form the basis for capital and operational carbon in Option 3. As at OBC stage, capital and operational carbon in Options 1 and 2 have been pro-rated from Option 3 on the basis of the estimated net additional GVA in each option.

The assessment of wider carbon influence arising from the role that tax sites play in enabling FLOW in Options 1 and 2 versus Option 3 follows the same pro-rata approach based on GVA.

For the direct, tax site carbon influence from green hydrogen and green hydrogen derivatives, activity in Options 1 and 2 is based on project-level information and assumptions made in those projects' seed capital OBCs around the additionality of Freeport tax incentives and of seed capital.

These carbon impacts were then monetised using the BEIS central carbon values over the period 2024/25 to 2049/50 before present values were calculated (see Annex F).

Table 32 and Table 33 present the results of the impact appraisal. Table 32 sets out the carbon control (capital/embodied and operational carbon) and carbon influence for the three options expressed in tonnes CO₂e. Table 33 presents these in present value terms after applying the annual carbon price per tCO₂e.

The reduction in carbon emissions associated with the influence of the tax sites is estimated to significantly outweigh the embodied and operational carbon emissions associated with tax site delivery and operation. The estimates suggest a substantial net carbon payback of around 22.8m tCO₂e over the 25 year period in Option 3, valued at £4.6bn in Present Value terms. The marginal carbon impact associated with seed capital is also presented and is estimated to amount to 5.45m tCO₂e or £1.19bn in Present Value terms.

Table 32: Whole Life Carbon Assessment – tonnes CO₂e of carbon associated with tax site delivery over 25 years

	Option 1: No Freeport	Option 2: Freeport, no seed capital	Option 3: Freeport plus Ask Maximum seed capital
Carbon control:			
Embodied Carbon (tCO ₂ e)	258,731	560,874	1,036,000
Operational Carbon (tCO ₂ e)	271,967	589,567	1,089,000
Total carbon control over 25 years (tCO₂e)	530,698	1,150,441	2,125,000
Carbon influence:			
Direct, tax site production of green hydrogen or green hydrogen derivatives (tCO ₂ e)	0	15,058,260	18,530,000
Tax sites enabling FLOW (tCO ₂ e)	1,605,579	3,480,558	6,429,000
Total carbon influence over 25 years (tCO₂e)	1,605,579	18,538,818	24,959,000
Carbon influence minus carbon control:			
Net reduction in carbon emissions (tCO₂e)	1,074,881	17,388,377	22,834,000
Net reduction in carbon emissions (tCO₂e) attributable to seed capital			5,445,623

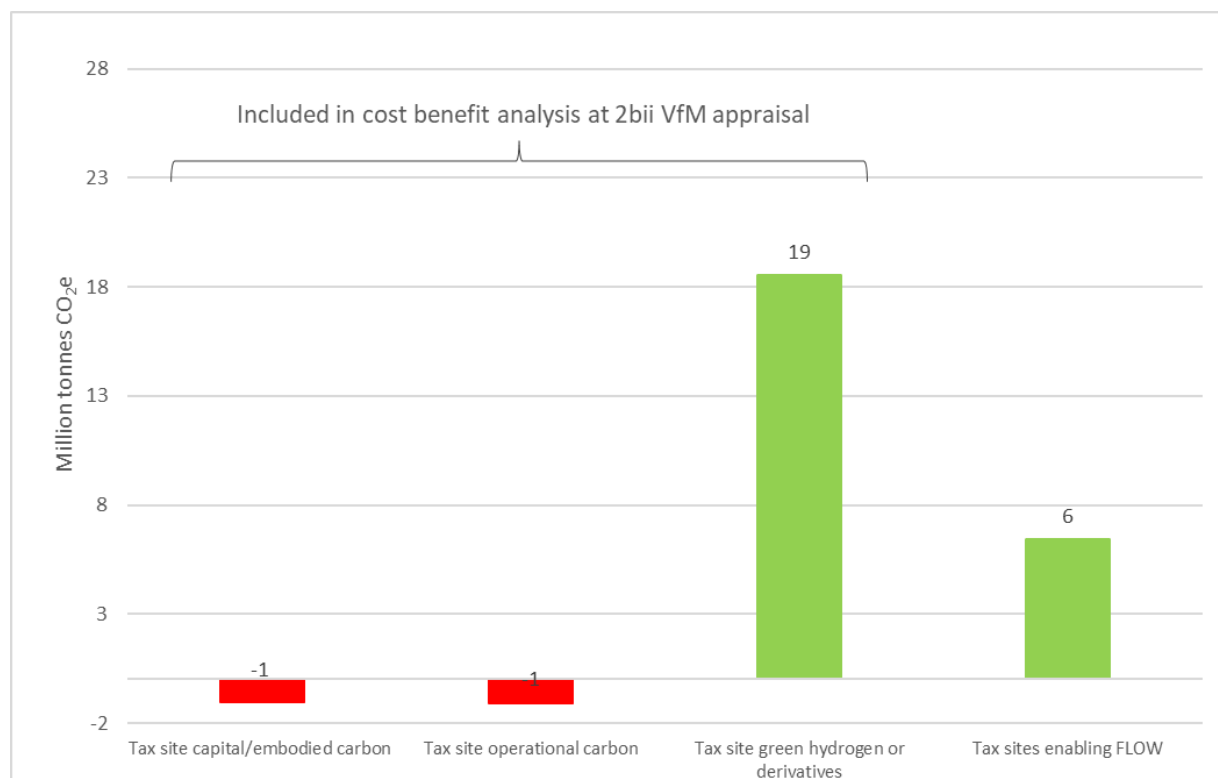
Table 33: Whole Life Carbon Assessment – Present Value (£m) of carbon impact over 25 years

	Option 1: No Freeport	Option 2: Freeport, no seed capital	Option 3: Freeport plus Ask Maximum seed capital
Carbon control:			
Embodied Carbon (PV £m)	65.7	142.3	262.9
Operational Carbon (PV £m)	57.5	124.7	230.3
Total carbon control	123.2	267.0	493.2
Carbon influence:			
Direct, tax site production of green hydrogen or green hydrogen derivatives (PV £m)	0.0	2,918.0	3,706.1
Tax sites enabling FLOW (PV £m)	343.6	744.9	1,376.0
Total carbon influence	343.6	3,662.9	5,082.0
Carbon influence minus carbon control			
Present Value of net reduction in carbon emissions (£m)	220.5	3,395.9	4,588.8
Present Value of net reduction in carbon emissions associated with seed capital (£m)			1,192.9

The chart at Figure 9 provides a further illustration of how ICFGF's positive carbon influence (columns shaded green) has the potential to significantly outweigh the capital and operational carbon

disbenefits associated with the Green Freeport's creation (columns shaded red). From a net zero transition perspective, the prize is significant, demonstrating the vital role that ICFGF can play alongside a supportive policy environment for offshore wind and hydrogen as well as timely provision of grid connections.

Figure 9: Carbon emissions impact appraisal – carbon benefits vs carbon disbenefits (mtCO₂e over 25 years)



2c. Preferred option

This section sets out the performance of the options in relation to the Critical Success Factors presented earlier. **Option 3 (Green Freeport plus Maximum seed capital Ask (£25m) is the preferred option. It offers best value for money at an acceptable level of affordability and risk.**

Table 34: Option performance in relation to Critical Success Factors

	Option 1 No Green Freeport	Option 2 Green Freeport, no seed capital	Option 3: Green Freeport plus Maximum Ask seed capital (£25m) (PREFERRED)
Strategic fit with wider national, regional and local policy objectives	No impact Limited fit with wider objectives	Medium impact UK SMART target on UK content: Not achievable Regional SMART population target: 4,300 additional working age population	Very high impact UK SMART target on UK content: Fully achievable Regional SMART population target: 11,000 additional working age population
Value for Money of seed capital (UK level)	N/A	N/A	Approach 1: BCR 10.5 / NPSV £3.11bn Approach 2: BCR 3.7 / NPSV £0.89bn
Capacity and capability	N/A	Capacity and capability in place to deliver	Capacity and capability in place to deliver

Achievability/ risk profile	Least risky, but will not deliver government objectives	Presents moderate risks, but with fewer benefits than Option 3. The absence of seed capital is less demanding in planning and funding co-ordination terms.	The additional investment activity unlocked by seed capital brings substantial benefits, but increases risks around planning, delivery of off-shore infrastructure, housing and associated public sector investment. This option is achievable and risk management and other plans are in place to secure the long-term resources needed to manage risk and optimise benefits realisation.
Affordability/ cost	N/A	N/A – no seed capital requirement	Affordable, subject to securing matched funding
Alignment with the net zero transition	Without a freeport, ICF will continue in its existing marshalling and assembly role. The opportunity to support the net zero transition is not realized.	Freeport tax incentives facilitate delivery of offshore renewables, but with limited local manufacturing content compared to Option 3. There is some potential for the production of green hydrogen / green hydrogen derivatives in this option, but the Longman hydrogen project would not proceed without seed capital. Inverness Campus would not be expanded and marine technology innovation would not be exploited at Port of Inverness.	Seed capital unlocks additional capacity for FLOW at Port of Nigg, Port of Cromarty Firth and new capacity at Deephaven. It also facilitates hydrogen production at the Longman site, unlocks the Phase 2 expansion of Inverness Campus and supports marine technology innovation at Port of Inverness. This will maximise manufacturing and cluster development potential and make it more likely that co-ordination challenges around connectivity of renewables to hydrogen production can be overcome, maximising net zero transition potential.

FINANCIAL CASE

The Financial Case demonstrates a credible plan for funding the operation of the Green Freeport in the medium-term and ensuring its long-term financial sustainability thereafter. It also outlines the importance of receiving expected capacity funding from UK and Scottish Governments as well as setting out the main financial risks to the Green Freeport. The purpose of the Financial Case is to demonstrate a credible plan for the affordability of the Green Freeport proposition.

3a. Financial resources and budgets

This section sets out information about the affordability of the Inverness & Cromarty Firth Green Freeport proposal, focusing on the following key areas: tax sites investment, seed capital, customs site security infrastructure, retained non-domestic rates, complementary investments, and Green Freeport operating costs and revenue sources. The actual position for the prior financial year (2023/24) is presented as well as forecasts going forward. All costs and revenues in this section are presented in today's prices, with Appendix 4 providing the impact of inflation.

Tax sites investment

The three Inverness & Cromarty Firth Green Freeport tax sites were designated by statutory instrument on 8 April 2024. Tax measures on these tax sites will be the primary driver of investment across the Green Freeport. Following extensive work with tax site landowners and potential developers, it is estimated that over £3bn will be invested in core propositions on tax sites within the Green Freeport over the next 5 years. While this provides an indication of the potential impact of Green Freeport measures over the near/medium term, for which estimates are considered to be the most reliable, it is reasonable to expect that the overall investment figure will increase significantly beyond this time frame.

The table below provides a summary of the total investment expected in the core tax site propositions broken down by source of investment.

Table 35: ICFGF total expected tax site investment (2023/24 prices, £)

Tax site / landholding		2023/24 2027/28	– 2028/29 2032/33	– 2033/34 2048/49	Total
Cromarty Firth Tax Site					
Deephaven	Seed capital	1,975,813	524,187	-	2,500,000
	Other public sector	4,688	11,372,188	373,125	11,750,000
	Private sector	1,007,849,945	1,119,552,305	51,144,375	2,178,546,625
	Other	-	-	-	-
	Total	1,009,830,446	1,131,448,679	51,517,500	2,192,796,625
Invergordon Service Base (Port of Cromarty Firth)	Seed capital	7,000,000	-	-	7,000,000
	Other public sector	65,934,098	50,227,917	-	116,162,015
	Private sector	159,433,265	171,717,083	-	331,150,348
	Other	-	-	-	-
	Total	232,367,362	221,945,000	-	454,312,362
Nigg Energy Park	Seed capital	5,271,845	1,500,000	-	6,771,845
	Other public sector	108,714,081	22,500,000	-	131,214,081
	Private sector	573,774,880	267,000,000	54,400,000	895,174,880
	Other	-	-	-	-
	Total	687,760,806	291,000,000	54,400,000	1,033,160,806

Wakelyn & Dunskaith	Seed capital	-	-	-	-
	Other public sector	-	-	-	-
	Private sector	18,218,750	49,843,750	19,937,500	88,000,000
	Other	-	-	-	-
	Total	18,218,750	49,843,750	19,937,500	88,000,000
Pitcalzean Farm	Seed capital	-	-	-	-
	Other public sector	-	-	-	-
	Private sector	210,500,000	671,500,000	-	882,000,000
	Other	-	-	-	-
	Total	210,500,000	671,500,000	-	882,000,000
Cromarty Firth Tax Site Total	Seed capital	14,247,658	524,187	-	14,771,845
	Other public sector	174,652,866	84,100,104	373,125	259,126,095
	Private sector	1,969,776,840	2,261,513,138	125,481,875	4,356,771,853
	Other	-	-	-	-
	Total	2,158,677,364	2,346,137,429	125,855,000	4,630,669,794
Inverness Tax Site					
Port of Inverness	Seed capital	1,080,444	739,556	-	1,820,000
	Other public sector	4,049,280	2,280,105	-	6,329,385
	Private sector	16,905,076	14,010,639	1,050,000	31,965,715
	Other	12,822,500	-	-	12,822,500
	Total	34,857,300	17,030,300	1,050,000	52,937,600
Aurora Energy	Seed capital	-	-	-	-
	Other public sector	60,000	-	-	60,000
	Private sector	2,215,428	2,011,514	13,250	4,300,191
	Other	-	-	-	-
	Total	2,275,428	2,011,514	13,250	4,300,191
Longman Former Landfill Site	Seed capital	700,000	-	-	700,000
	Other public sector	9,427,545	-	-	9,427,545
	Private sector	224,989,776	1,500,000	4,800,000	231,289,776
	Other	-	-	-	-
	Total	235,117,321	1,500,000	4,800,000	241,417,321
Inverness Campus	Seed capital	4,000,000	-	-	4,000,000
	Other public sector	10,796,060	14,797,788	4,813,496	30,407,345
	Private sector	44,691,435	97,239,327	30,485,474	172,416,236
	Other	-	-	-	-
	Total	59,487,495	112,037,115	35,298,970	206,823,580
Inverness Tax Site Total	Seed capital	5,780,444	739,556	-	6,520,000
	Other public sector	24,332,885	17,077,893	4,813,496	46,224,275
	Private sector	288,801,714	114,761,480	36,348,724	439,911,918
	Other	12,822,500	-	-	12,822,500
	Total	331,737,543	132,578,929	41,162,220	505,478,692
Ardersier					
Port of Ardersier	Seed capital	-	-	-	-
	Other public sector	-	-	-	-
	Private sector	1,115,800,000	198,750,000	-	1,314,550,000
	Other	-	-	-	-
	Total	1,115,800,000	198,750,000	-	1,314,550,000

TOTAL - ALL TAX SITES					
Total	Seed capital ¹	20,028,102	2,763,743	-	22,791,845
	Other public sector	198,985,751	101,177,998	5,186,621	305,350,370
	Private sector	3,374,378,555	2,593,124,617	161,830,599	6,129,333,771
	Other	12,822,500	-	-	12,822,550
	Total	3,606,214,908	2,697,066,359	167,017,220	6,470,298,486

¹ Note: All seed capital project funding is represented in this table, aside from the Tomich Junction improvements project (£1.957m), which is not located directly within a tax site.

Considerable further engagement has occurred with landowners since the OBC (for example, in the context of the finalisation of the seed capital proposition) to provide a high level of confidence in the investment numbers provided in the table above. These numbers have been refined and updated accordingly. Of course, given the additional nature of these proposed investments, final decisions have in most cases not been taken and there inevitably remains a degree of uncertainty as to the precise costs and timings of investments in specific project. The split of funding sources in the table above for the longer-term investments is illustrative only, with landowners and developers still to finalise funding strategies, in particular the contribution of potential, yet un-confirmed, grants. The commitments (including financial ones) that tax site landowners have made via Tax Site Delivery Agreements (described in section 4a of this FBC) provide us with additional comfort as to the likelihood of the proposed investments going ahead.

Seed capital

As set out in section 1ci1, a programme of investment has been developed to invest £25m of seed capital funding in the necessary enabling infrastructure to unlock land for use within tax sites and help maximise the full potential of Green Freeport opportunities as soon as possible.

The proposition has been refreshed since the OBC. To do so, a seed capital Outline Business Case template was created, in line with The Green Book Guidance, and provided to project sponsors to complete. Cost estimating broadly followed the cycle of eight steps as outlined in the Infrastructure and Projects Authority (IPA) Cost Estimating Guidance. All proposed seed capital projects have utilised expert, evidence-based advice throughout their development.

The individual Outline Business Cases for the seed capital schemes – which have formed the basis of the seed capital proposition in this FBC – have been developed and provided to the UK and Scottish Governments as part of the appraisal of this FBC. The Outline Business Cases set out:

- a breakdown of cost estimates and details of the basis and assumptions used in each case,
- the approach taken to accounting for risk, contingency and optimism bias (consistent with HMT Green Book guidance),
- VfM analysis which provides a benefit cost ratio of a range of different options and demonstrates the economic case for the investment of seed capital.

All seed capital eligible works will be competitively tendered to ensure VfM. In the case of feasibility works, there is inevitably a degree of cost uncertainty with specific items such ground investigation works. Seed capital grant will be capped by the Accountable Body, and any overspend will be absorbed by the project sponsor in order to realise the agreed outputs as per the FBC and subsequent legally binding agreement between the Accountable Body and the grantee.

A preliminary assessment of subsidy control matters has been conducted by the Highland Council (refer to section 4f of the Commercial Case) and a further assessment will be made as projects progress through the assurance process. This will include, among other things, assessment against the requirement to cap the combined value of “Related Subsidies” at £25m per project.

The table below provides a year-by-year profile of the proposed allocation of seed capital between FY2024/25 and FY2028/29. Section 1ci1 provides further detail about each of the individual investments and why they represent an appropriate use of seed capital funding.

Table 36: Seed capital spending profile (2023/24 prices, £)

In terms of funding, the £25m in seed capital funding will be complemented by over £60m in further public funding and almost £175m in private sector funding, contributing to a total spend of seed capital projects of around £260m. The following table shows the comparative value of each seed capital allocation to the other sources of funding for the project. This illustrates the important role seed capital funding will play in bringing forward projects of significant value to unlock the full economic potential of the Green Freeport. The table also provides additional commentary as to the certainty/riskiness of funding for each seed capital project.

Table 37: Seed capital projects source of funding (2023/24 prices, £)

[illegible]

Upon confirmation of the award of the seed capital funding, project sponsors will be invited to submit a Full Business Case to the Accountable Body for review. This review will be conducted by the ICFGF Seed Capital Subgroup which will include cross-service representation from the Highland Council and ICFGF Limited. As part of this, a further subsidy control assessment (and, if required, a change request) will be carried out by the Highland Council, as outlined in section 4f of the Commercial Case.

The subgroup will in turn make a recommendation to the ICFGF Board in respect to the value of seed capital grant to be awarded and any special conditions to be attached. Following Board agreement, the Accountable Body will be responsible for formally offering seed capital grant and the subsequent management of funds thereafter to ensure compliance with all legislative requirements.

Costs associated with customs site security infrastructure

ICFGF will not be funding any costs associated with customs security infrastructure. Responsibility for these costs will be held by the customs site operators. Once authorised, custom site operators will have a direct relationship with HMRC and Border Force and will also be the entities wholly responsible for managing security and compliance on these sites. Further detail about customs sites is provided in section 1ci4.

Retained non-domestic rates

The Highland Council has engaged specialist chartered surveyors, Graham & Sibbald, to provide a preliminary estimate of the potential timing and profile of potential growth in Rateable Values as a result of investment in Green Freeport tax sites. This analysis has been done on a landholding-by-landholding basis based on information provided by landowners as to the estimated scale and pace of development.

These RV growth profiles have been used to inform an estimate of the net retained NDRs that will be available to the Green Freeport over 25 years. On the basis of these assumptions, the forecast for gross NDR starts at £4m in 2027/28, rising to £28m at the end of the 25-year retention period, with an overall total of £547m (all figures in today's prices). The graph below provides a forecast profile for the annual revenue from net retained NDR.

Figure 10: Estimated NDR for each site per FY

Further details about the assumptions and methodology behind these calculations is provided in Annex N.

It is critical to note that this is an illustrative forecast only and there is significant uncertainty about the quantum and timing of funds that will be available for investment. The available amounts will in practice be driven by a range of factors:

- The NDR baseline needs to be agreed with Scottish Government.
- Uncertainty around the precise timing and pace of development on each site, which impacts when each hereditament will start being liable for NDR or eligible for NDR relief, if applicable. Indeed, in the early years of the Green Freeport's operations, the ramp-up of net NDR relief, which assumes the Council will not make any equivalent contribution to the national pool, plus net retained NDR is anticipated to fluctuate quite substantially and on some sites, will be very gradual.
- The rateable value of future hereditaments will in practice be established on a case-by-case basis by the Assessor. There may be significant delays in obtaining valuations, an issue that may be complicated by the fact that many developers will be operating in new and emerging sectors with little precedent for such valuations.
- All valuations, rating liabilities and NDR relief decisions are subject to the potential for appeal and review which can involve a lengthy process. During any such appeals, the NDR billed amounts are payable by the ratepayer.

- The Assessor is required to undertake a revaluation of all rateable properties every 3 years which can result in values decreasing/increasing or staying the same. Transitional Relief schemes may be implemented by the Scottish Government to limit the impacts for ratepayers and ease in new non-domestic rates liabilities. Revaluations are subject to appeal.
- There is also the possibility for future reform of the NDR system, including changes to poundage rates and supplements.

Neither the Green Freeport Company nor the Highland Council currently plan for any borrowing against future income from net retained NDR. The Green Freeport Company and Highland Council may consider investment proposals where there is a requirement for forward-funding investment until such time as net retained NDR income is available to support the investment. Where this cannot be managed within the overall net retained NDR income in a given year, there may be a cashflow and financial risk to be considered, with the potential the request is for Highland Council to forward fund. As a result, it is expected such forward funding for investment would only be considered in scenarios where the nature of investment is of a key enabling nature, and where the Council considers there to be a natural 'fit' and role for the Council to be the enabling party. There would have to be due consideration of the outcomes to be delivered relative to the financial and other risks that may arise from forward funding, with it ultimately being a matter for the Council to consider through its own formal governance arrangements.

Complementary investments

Additionally, a range of wider complementary interventions will be delivered across the Green Freeport geography which will collectively help the Green Freeport realise its objectives. These complementary interventions encompass public and private investments, local and central government initiatives, and local strategies.

These complementary investments are summarised in the table below, with further detail provided in section 1cii and Appendix 3.

Table 38: ICFGF complementary interventions

Investment name	Investment source and value	Objective
Highland Investment Plan	Highland Council - £800 million over 10 years and £2 billion over 20 years	Long term infrastructure investment programme to transform the asset base of Highland Council by unlocking substantial capital funding and creating centres of community service delivery.
Strategic Investment Model (SIM)	Scottish Government	Prioritisation, support and acceleration of supply chain and infrastructure in support of ScotWind and INTOG
Green Industries Growth Accelerator (GIGA)	UK Government - £1.1bn fund with up to £390 million allocated to OSW supply chains and electricity networks	Support expansion of low carbon manufacturing supply chains across the UK. Full fund covers H2, CCUS, OSW and civil nuclear
Scottish Government Offshore Wind support	Scottish Government	Maximise the economic benefits from renewable energy projects, grow the renewable energy supply chain and ensure a just transition for suppliers across all green energy technologies.
R100 Programme	Scottish Government £700m	The Scottish Government committed to enabling access to superfast broadband – speeds of at least 30Mbps – to every home and business in Scotland.
SSE Network Upgrades 2030	Private Sector – £10bn	A programme of new and upgraded network infrastructure to allow offshore wind energy to come ashore. This requires new stations, overhead lines and subsea cables.
Northern Innovation Hub	UK Government – £11m	The Northern Innovation Hub (NIH) builds on and accelerates current business innovation support services in the region,

Investment name	Investment source and value	Objective
		enabling an increased focus on sectoral opportunities which will build global competitive advantage.
Science Skills Academy	Scottish Government – £3m	The Science Skills Academy (SSA) aims to transform the uptake of Science, Technology, Engineering and Maths (STEM) subjects in schools.
Life Sciences Innovation Centre	UK Government – £9m	This project will establish a centre of excellence in innovation and commercialisation in health and life sciences, based on the Inverness Campus phase 1.
Affordable Housing	Scottish Government – £100m	The initiative will offer young people attractive, affordable housing in the highlands to enable them to stay in the region, retaining a young and vibrant workforce for the Highlands.
Inverness Castle, Bught Park and Northern Meeting Park	UK Government – Levelling Up Fund £36m and Growth Deal £1.63m Scottish Government £15m Growth Deal	Regeneration of 3 key cultural and tourism assets in the centre of Inverness
Manufacturing Innovation Centre for Moray (MICM)	Moray Growth Deal	MICM will foster innovation, productivity and digital adoption in local manufacturing businesses
Place Based Investments, regeneration, and town centre improvements	UK Government £808k	Funds will be used to support place-based projects. UK Shared Prosperity Fund will sit alongside and be managed together with other area-based funds to support projects identified in Area Place Plans.
Active travel enhancements and small-scale transport projects	UK Government £860k	Masterplans / audits have been produced for 10 settlements across the Highland, with a wide range of active travel and sustainable transport projects identified.
Area Place Plans	UK Government £200k	Development of Area Place Plans to set out the vision, ambition and priorities for people and place in a particular area. This will assist with the identification of priority projects and ensure community-based funds are utilised to best use when developing/delivering projects.
Strengthening local entrepreneurial ecosystems	UK Government £275k	Attract many private, third and public sector organisations who are active in the Highlands supporting businesses together to determine whether new innovative opportunities exist.
Expert business advice and support programmes, local and regional	UK Government £375k	Provide access to specialist advisors to provide additional targeted support – linked and aligned with business development grant support.

Green Freeport operating costs

The following table summarises the current estimates of all costs associated with operating the Green Freeport until 2030. Figures for 2023/24 reflect the actual expenditure incurred in the previous financial year. All costs are shown in today's prices. An extended table, showing operating costs for 25 years until 2048/49, is provided in Appendix 4. Appendix 4 also provides an estimate of the longer-term profile with inflationary impacts included.

Table 39: Inverness and Cromarty Firth Green Freeport operating costs (2023/24 prices, £)

Operating costs	2023/24 (A)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Staffing and recruitment	£197,080	£496,000	£536,000	£534,000	£534,000	£534,000	£534,000	£3,365,080
Overheads and administration	£44,925	£95,300	£95,300	£95,300	£95,300	£95,300	£95,300	£616,725

Communications and stakeholder engagement	£35,794	£44,000	£44,000	£44,000	£44,000	£44,000	£44,000	£299,794
Consultancy support	£156,760	£149,000	£104,000	£104,000	£104,000	£104,000	£104,000	£825,760
Accountable Body / Rating Authority costs	-	£100,000	£100,000	-	-	-	-	£200,000
Contingency	-	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	£600,000
Contribution to Going Concern Reserve	-	£150,000	-	-	-	-	-	£150,000
Total – operating costs	£434,559	£1,134,300	£979,300	£877,300	£877,300	£877,300	£877,300	£6,057,359

ICFGF's operating costs in its first full year of activity (FY2024/25) are expected to be around £1.1m, noting that this includes a one-off contribution to a Going Concern Reserve of £150k as well as £100k contingency (see below). In FY2025/26 the costs are estimated to be just under £1m. Thereafter, the Green Freeport Company's annual ongoing operating costs are estimated to be c£875,000. The largest proportion of operating costs is attributed to staffing and recruitment, which equates to c60% of the Company's total operating costs.

The table below summarises the underlying assumptions that have been used to develop the operating cost estimates for the Green Freeport.

Table 40: Inverness and Cromarty Firth Green Freeport operating costs assumptions

Operating cost item	Assumptions
Staffing and recruitment	
Recruitment	£1,125 was incurred in FY2023/24 in relation to recruitment consultants to support the identification and onboarding of the CEO. To support the recruitment of further members of staff, a further £2k per annum is expected this and next financial year.
Staff salaries	This represents the consolidated salaries for all Green Freeport staff. £192k was incurred in FY2023/24. Going forward, ICFGF Ltd is expected to have 7 members of staff, including the CEO, Office Manager, PowerHouse Manager, an Inward Investment Development Lead, Compliance and Security Lead, PowerHouse Administrator and PowerHouse Graduate. The Chair of the Board will also be remunerated. ICFGF retains the underlying assumptions behind staff salaries and these can be made available upon request. If the need arises, further resource may be procured in future years, provided the necessary funds are in place.
Expenses and travel	£3,815 was incurred in FY2023/24. An allowance of £10k per annum has been assumed for this financial year and all future years.
Overheads and administration	
Office costs	Around £9k was incurred in FY2023/24. Going forward, the Company expects to move into new premises to reflect the requirement for more office accommodation as the staffing level increases. The costs are estimated at £28k per annum.
IT & telephone provision	Around £1k was incurred in FY2023/24. An allowance of £5k per annum has been assumed for this financial year and all future years.
Standalone IT support	Ongoing cost of £3,000 per annum from FY2024/25.
Office bills	Ongoing cost of £2,000 per annum from FY2024/25.
Insurance	Ongoing cost of £5,000 per annum from FY2024/25.
Outsourced HR services	Around £3.5k was incurred in FY2023/24. An allowance of £3,800 per annum has been assumed for this financial year and all future years for talent management, training and development, compliance and workplace safety.

Operating cost item	Assumptions
Outsourced finance services	Around £30k was incurred in FY2023/24. An allowance of £34,500 per annum has been assumed for this financial year and all future years for services including accounts, employee compensation and benefits.
Company secretarial and professional services	Around £1.5k was incurred in FY2023/24. An allowance of £2k per annum has been assumed for this financial year and all future years.
Audit	Ongoing cost of £12k per annum from FY2024/25
Communications and stakeholder engagement	
Communications and stakeholder engagement	Includes website development, consultations, marketing, and engagement within relevant sectors. Around £36k was incurred in FY2023/24. An allowance of £44k per annum is assumed from FY2024/25.
Consultancy support	
Business Development – Case Lead Advisors	£100k was incurred in FY2023/24 for services to support the OBC and FBC submissions and finalising Tax Site Delivery Agreements. A further £100k is expected to be incurred in FY2024/25.
Business Development – Case Economic Advisors	£56,760k was incurred in FY2023/24 for services to support the OBC and FBC submissions. A further £25k is expected to be incurred in FY2024/25.
Legal support	Recurring cost of £24,000 between FY2024/25 and FY2032/33. Ongoing cost of £5,000 per annum thereafter
Further consultancy support	Allowance of £80,000 per annum from FY2025/26.
Accountable Body / Rating Authority costs	
Accountable Body / Rating Authority costs	An allowance of £100,000 per annum has been made in FY2024/25 and FY2025/26 for reimbursing The Highland Council for its services as both Accountable Body and ratings authority, including ensuring adequate governance controls are in place so the Green Freeport can function effectively. Thereafter it is expected that these costs will be met from the net retained NDR fund (refer to section 1ci3).
Contingency	
Contingency	Ongoing allowance of £100,000 per annum from FY2024/25. An assumption of contingency equating to c10% of the Green Freeport's annual total costs has been applied. See below.
Contribution to cash reserves	
Contribution to Going Concern Reserve	One-off contribution of £150,000 in FY2024/25. The payment will provide the Green Freeport with a cash reserve to ensure the business can remain a going concern.

The following table shows ICFGF's financial tolerance to fluctuations in its operating costs, based on the extent to which these costs (on a nominal basis) could potentially be absorbed by the assumed allowance for contingency.

Table 41: Operating costs tolerances

Operating cost item	Cost tolerance scenario
Staffing and recruitment	
Recruitment	£2k per annum is estimated to be required in FY2024/25 and FY2025/26. In relation to the Green Freeport's annual contingency of £100,000, recruitment costs could increase by 5,000% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Staff salaries	The 'steady state' annual real cost for staff salaries is £524k per annum. In relation to the Green Freeport's annual contingency of £100,000, staff salaries could increase by 19% in a given year, and the Green Freeport would still be able to fund this expense assuming all other costs are in line with our estimates.
Expenses and travel	£10k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, expenses and travel costs could increase by 1,000% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Overheads and administration	
Office costs	£28k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, office costs could increase by 357% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
IT & telephone provision	£5k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, IT & telephone provision costs could increase by 2,000% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Standalone IT support	£3k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, standalone IT support costs could increase by 3,333% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Office bills	£2k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, office bills could increase by 5,000% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Insurance	£5k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, insurance costs could increase by 2,000% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Outsourced HR services	£3,800 per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, outsourced HR services costs could increase by 2,632% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Outsourced finance services	£34,500 per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, outsourced finance services costs could increase by 290% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Company secretarial / professional services	£2k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, company secretarial / professional services costs could increase by 5,000% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Audit	£12k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, audit costs could increase by

Operating cost item	Cost tolerance scenario
	833% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Communications and stakeholder engagement	
Communications and stakeholder engagement	£44k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, communications and stakeholder engagement costs could increase by 227% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Consultancy support	
Business Case Development – Lead Advisors	£100k is estimated to be required in FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, this cost could increase by 100% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Business Case Development – Economic Advisors	£25k is estimated to be required in FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, this cost could increase by 400% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Legal support	£24k per annum is estimated to be required from FY2024/25. In relation to the Green Freeport's annual contingency of £100,000, legal support costs could increase by 417% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Further consultancy support	£80k per annum is estimated to be required from FY2025/26. In relation to the Green Freeport's annual contingency of £100,000, further consultancy support costs could increase by 125% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.
Accountable Body / Rating Authority costs	
Accountable Body / Rating Authority costs	£100k is estimated to be required in FY2024/25 and FY2025/26 (after which it will be sourced from the net retained NDR fund). In relation to the Green Freeport's annual contingency of £100,000, this cost could increase by 100% and ICFGF would still be able to fund this expense assuming all other costs are in line with our estimates.

While this analysis assumes that cost fluctuations would be met purely from the Green Freeport's contingency fund, it is important to note that, in practice, ICFGF will have access to a significant pool of generated NDRs and contributions from Going Concern Reserves if it is exposed to extreme operating cost fluctuations. This provides further assurance that measures are in place to manage financial risk.

Green Freeport funding sources

The following table summarises the strategy for funding the costs, outlined above, associated with operating the Green Freeport until 2030. Figures for 2023/24 reflect the actual revenues received in the previous financial year. All revenues are shown in today's prices. An extended table, showing funding sources for 25 years until 2048/49, is provided in Appendix 4. Appendix 4 also provides an estimate of the longer-term profile with inflationary impacts included.

Table 42: Inverness and Cromarty Firth Green Freeport funding sources (2023/24 prices, £)

Revenue source	2023/24 (A)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Government capacity funding	£438,557	£561,443	-	-	-	-	-	£1,000,000
Consortium fundraising	£574,750	£10,000	-	-	-	-	-	£584,750

Landowner contributions via Tax Site Delivery Agreements	-	£530,000	£530,000	£800,000	£800,000	£950,000	£950,000	£4,560,000
PowerHouse Income	£20,000	£10,000	£10,000	£10,000	£10,000	£10,000	£10,000	£80,000
Contribution from reserves	-	£22,857	£439,300	£67,300	£67,300	-	-	£596,757
Contribution from net retained NDR	-	-	-	-	-	-	-	-
Total – funding	£1,033,307	£1,134,300	£979,300	£877,300	£877,300	£960,000	£960,000	£6,821,507

In FY2023/24 and FY2024/25, ICFGF's revenues are dependent on Government capacity funding of £1m, and the one-off consortium fundraising contribution of £584,750 the majority of which was received in FY2023/24. From FY2024/25, landowner contributions via Tax Site Delivery Agreements (TSDAs) are the most significant income stream for the Green Freeport, estimated to start at £530k and ramp up to £950k until the end of the tax site window. After this period, starting in FY2034/35, net retained NDRs become a significant revenue source for ICFGF, and are applied to Company costs once any excess reserves have been exhausted.

The table below summarises the underlying assumptions that have been used to develop the funding and revenue estimates for the Green Freeport. It also sets out the level of confidence that can be attributed to each income stream.

Table 43: Inverness and Cromarty Firth Green Freeport funding sources assumptions

Funding source item	Assumptions	Level of confidence
Government seed revenue funding	Total funding of £1,000,000. £600,000 has been paid out by the Scottish Government to the Accountable Body, of which £438,557 has been or will be drawdown to fund expenditure already incurred by the Green Freeport Company during FY2023/24. The remaining £161,443 of this first tranche will be drawn down in FY2024/25, as well as the balance of £400,000 which will be provided by the Scottish Government (taking the total for the current Financial Year to £561,443).	There is an extremely high level of confidence in this income stream. £600,000 has already been received. We work closely with the two Governments and we have a good level of understanding of the process and requirements to unlock the remaining funds.
Consortium fundraising	Upfront funding of £574,750 was received in FY2023/24, representing contributions secured from landowners, investors and other stakeholders to support the Setup Phase activities. A small balance of £10k is expected to flow in the current financial year.	There is an extremely high level of confidence in this income stream, 99.8% of which has already been received.
Landowner contributions via Tax Site Delivery Agreements	Landowners will pay a levy per hectare of tax site land in their control following the designation of the tax sites. Full details of these are provided above, with additional content in relation to TSDAs provided in section 4a. It is estimated these levies will yield c£530,000 in FY2024/25 and FY2025/26, then increase in the following years as land is built out and moves to higher levy categories, before ending when landowners' obligations fall away after 10 years. Levies will be subject to indexation and hence responsive to inflationary adjustments.	Tax Site Delivery Agreements are contractual arrangements and have now been signed with all tax site landowners. There is therefore a high level of confidence in this income stream. The precise level of funding in the future will be a function of the extent to which hectares are developed and re-classified. As discussed below in section 3b, the forecasts included in this FBC reflect our best assessment of the likely scale and pace of development, based on

Funding source item	Assumptions	Level of confidence
		engagement with landowners and industry.
PowerHouse income	Funding of £20,000 in FY2023/24, followed by ongoing funding of £10,000 per annum from. This represents assumed successful grant awards and contributions from private sector partners.	The Green Freeport Company has a dedicated team for PowerHouse activities. There is a medium level of confidence in this income stream, although it could in fact be a lot higher and it is also noted that it represents a relatively small proportion of overall funding for the Green Freeport.
Contribution from reserves	In any year where there is a funding gap, the first call will be upon retained surpluses / reserves (excluding the Going Concern Reserve discussed above). This approach means that net retained NDR are only called upon when absolutely necessary. In FY2023/24, the Green Freeport built up a sizable surplus of funds, due to the contributions received from landowners and stakeholders. Some of this retained reserve is expected to be called upon in FY2024/2025 to FY2027/28, after which TSDA levies ramp up and are able to cover all operating costs each year. The remainder of the reserve is used in FY2034/25 following the end of TSDA levies.	This is essentially a transfer of funds which will only be possible if the reserves exist. There is therefore a high level of confidence in this income stream.
Contribution from net retained NDR	As set out in section 1ci3, it is expected that net retained NDR will begin to flow once development begins to be completed on tax sites. As set out in section 1ci3, it is expected that retained NDR will begin to flow after the Assessor has valued the developments. From this time, it assumed that net retained NDR will (subject to agreement of the Green Freeport Company and Accountable Body) be deployed to meet any gap in funding not covered by reserves, landowner contributions via TSDAs and other external funding sources. This is assumed to provide a 'balancing figure', providing funding not covered by external sources and any retained reserves, to ensure the financial sustainability of the Green Freeport. Our modelling currently suggests that net retained NDR will first be called upon (to the tune of around £300k) in FY2034/35 and thereafter will provide the majority of funding for Green Freeport operating costs.	Although, as discussed elsewhere, the precise profile of the ramp up of NDR is unknown, there is a high level of confidence that the funds will be available when required to support the operating costs of the Green Freeport Company. This is because they will only be required once obligations from TSDAs have been discharged (expected to be 10 years), by which time the incremental NDR receipts on many tax sites are forecast to have materialised, and when retained reserves have been exhausted. Our modelling suggests that by the time net retained NDR are required to support Green Freeport operating costs, there will be more than sufficient funds available to do so.

Neither the Green Freeport Company nor the Highland Council currently plan for any borrowing against future income from net retained NDR. The Green Freeport Company and Highland Council may consider investment proposals where there is a requirement for forward-funding investment until such time as net retained NDR income is available to support the investment. Where this cannot be managed within the overall net retained NDR income in a given year, there may be a cashflow and financial risk to be considered, with the potential the request is for Highland Council to forward fund. As a result, it is expected such forward funding for investment would only be considered in scenarios where the nature of investment is of a key enabling nature, and where the Council considers there to

be a natural ‘fit’ and role for the Council to be the enabling party. There would have to be due consideration of the outcomes to be delivered relative to the financial and other risks that may arise from forward funding, with it ultimately being a matter for the Council to consider through its own formal governance arrangements.

Green Freeport net operating position

The table below shows the expected net operating position of the Green Freeport, based on the assumptions described above for costs and revenues. Figures for 2023/24 reflect the actual costs incurred and revenues received in the previous financial year. All figures are shown in today’s prices. An extended table, showing the net operating position for 25 years until 2048/49, is provided in Appendix 4. Appendix 4 also provides an estimate of the longer-term profile with inflationary impacts included.

Table 44: Inverness and Cromarty Firth Green Freeport annual operating position (2023/24 prices, £)

Annual operating position	2023/24 (A)	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Costs	(£434,559)	(£1,134,300)	(£979,300)	(£877,300)	(£877,300)	(£877,300)	(£877,300)
Funding external –	£1,033,307	£1,111,443	£540,000	£810,000	£810,000	£960,000	£960,000
Funding contribution from Reserves –	-	£22,857	£439,300	£67,300	£67,300	-	-
Funding contribution from NDR –	-	-	-	-	-	-	-
Net annual operating position	£598,748	-	-	-	-	£82,700	£82,700

Due to the approach taken to utilising reserves, the table above shows that the budget at least balances each year assessed, hence giving confidence as to the medium-term financial sustainability of the operations. Indeed, net retained NDR funding is not expected to be required until FY2034/35.

The Green Freeport Company had a positive net operating position in FY2023/24, with a surplus of around £600k. Between FY2024/25 and FY2027/28, ICFGC will be required to draw on some of these cash reserves to ensure its annual operating position balances. Funding contributions from net retained NDR begin to support the Green Freeport’s annual operating position from FY2034/35. In FY2035/36, contributions from net retained NDR become the most significant revenue stream for the Green Freeport’s annual cash flow position.

3b. Further capacity funding

Overall funding approach and the use of capacity funding

The Green Freeport has endeavoured to take all reasonable steps to ensure sustainability of its financial accounts.

In the first instance, ICFGC has developed a robust cost-effective budget which reflects its duties and activities required to meet its objectives and the requirements of the UK and Scottish Governments. This budget has been informed by the lessons learnt from the English Freeport programme and includes allowances for known future costs as well as contingency.

Furthermore, the Green Freeport Company has engaged independent specialist financial support (from Johnston Carmichael) to develop monthly management accounts, which are reviewed by the

Company Bard and the Accountable Body. An independent annual audit of the accounts will also be undertaken. These processes are designed to ensure robust management of financial risks.

Prior to tax site designation in April 2024, short-term set-up phase support was provided in the form of Government capacity funding and contributions provided by consortium partners. Going forward, mature term ongoing revenues will be sourced from levies from landowners via Tax Site Delivery Agreements (TSDAs), topped up where necessary by contributions from incremental net retained NDR. Throughout, any operating surpluses will be retained within the Company and will be drawn down first to meet funding shortfalls that may arise.

It is assumed capacity funding totalling £1,000,000 will be provided by UK and Scottish Governments. £600,000 has already been provided by the UK and Scottish Governments to the Accountable Body, with a further £400,000 to follow in FY2024/25.

This funding has been mainly allocated to staffing up the ICFGF team and, alongside the contributions made by our consortium partners, has been critical to help meet Setup Phase costs in the period prior to the receipt of the ongoing landowner levies and the build-up of net retained NDR. Short-term capacity funding has provided the Green Freeport Company invaluable time to establish itself, with the landowner levies then being crucial to ensuring ICFGF is self-sustainable going forward.

These arrangements will ensure that the Government's capacity funding is deployed in a prudent manner to meet genuine Green Freeport Company costs in the critical early years of operation. Given the extension of the tax window, which was approved in the March Budget, the position is in fact even more sustainable than as set out in the OBC. The contribution of landowner levies for a prolonged period will help the Green Freeport protect its pool of net retained NDR so that it can be utilised for its primary purpose which is to fund Green Freeport programmes and initiatives such as regeneration, local skills, innovation, Net Zero, trade and investment as well as infrastructure upgrades.

Landowner levies

Tax Site Delivery Agreements (TSDAs) ensure that financial contributions will be provided by landowners to help fund the reasonable running costs of the Green Freeport Company, in return for the benefit that they are expected to receive in the form of tax reliefs for themselves or their tenants. TSDAs have now been executed with all landowners, thereby giving a high level of confidence in the delivery of the landowner levies and their contribution to the running costs of the Green Freeport.

The overall quantum and duration of contributions is a function of the requirements of the Company, based on an expected operating costs, and net of funds available from other sources such as Government capacity funding. The quantum of contributions from individual landowners has been sized to incentivise the delivery of additional and target-sector development on tax sites. It is based on the amount of land each landowner has within a tax site, and the 'status' of each hectare of such land according to two levels of categorisation:

- Classification of land: low / mid / high based on the land's potential to contribute to the achievement of the Green Freeport objectives based on location and other relevant factors, including the estimated development costs that would require to be incurred in order to increase such potential.
- 'Readiness status' of land:
 - 1) Level 1: undeveloped and/or areas currently under water that may in future be reclaimed and developed.
 - 2) Level 2: demonstrably ready for development and subsequent use for purposes relevant to achieving the Green Freeport objectives, as evidenced by relevant statutory or other consents having been issued and enabling infrastructure (such as roads and utilities connections) being available.
 - 3) Level 3: developed, in use for purposes relevant to achieving the Green Freeport objectives and revenue generating.

them. Furthermore, section 3a above provides analysis of the cost tolerances of individual operating cost items.

Table 46: Inverness and Cromarty Firth Green Freeport financial risks and mitigations

COMMERCIAL CASE

4a. Tax site delivery and management

Tax site management strategy

Introduction

Tax measures within Green Freeport tax sites are expected to be the most impactful element of the programme, providing a direct and tangible financial incentive for new private investors to deliver the objectives of the Green Freeports policy.

Most of the land within the Inverness & Cromarty Firth Green Freeport tax sites is owned by private parties who will retain sovereignty over their land and responsibility for bringing forward development. Now that the tax sites have been designated, these landowners (and those who invest or develop on their land) are legally entitled to benefit from the tax measures.

Accordingly, a mechanism is required to:

- provide landowners, operators, end-users and investors with incentives and structures to deliver additional net growth and other outcomes in return for the tax benefits on offer, and
- give the UK and Scottish Governments confidence that a robust strategy is in place to ensure that public investment and support will realise the intended economic and social potential of the Green Freeport offer and is not misdirected.

To achieve these objectives, a tax site delivery and management strategy is required that effectively mitigates the following key risks:

- i) **Under-development.** The risk that tax measures do not remove all the barriers to investment, meaning development does not come forward at the expected level and/or within the timeframe in which the measures are available, and hence the land remains underutilised, and the opportunity offered by the tax reliefs is 'wasted'.
- ii) **Low additionality or the 'wrong type of' development.** The risk that development occurs which is not consistent with maximising the Green Freeport's outcomes and VfM for the taxpayer because it involves low or zero additionality at the local, regional, and national level and/or development that is not consistent with the policy objectives of the programme (i.e. carbon-intensive or low-skilled activity). This kind of development can give the impression of delivery, since the site fills out, and there will be gains to landowners and end users, but the underlying net gains to society are low or non-existent because development / investment has simply been abstracted from somewhere else.
- iii) **'Value leakage'.** The risk that the benefits on offer are used to drive excessive increases in land prices, rental values or other windfall gains for landowners / end users, rather than being directed towards local and regional regeneration and economic growth.

To address these risks, there are three elements to the tax site delivery and management strategy that has been adopted in the ICF Green Freeport:

1. Site selection and landowner engagement
2. Tax Site Delivery Agreements (TSDAs)
3. Ongoing management of tax sites

These are described in turn below.

Site selection and landowner engagement

To ensure delivery of outcomes on tax sites and to mitigate these risks, the first step taken was the process to select, and then to optimise, the ICFGF tax sites themselves.

This started in the run-in to the bidding phase, with the identification of a portfolio of underdeveloped sites in the Highlands that are developable in the short to medium term and have a demonstrable pipeline of activity in sectors consistent with the objectives of the Green Freeports programme.

From the first instance, a key focus was put on the offshore wind sector, where the Highlands has an unparalleled offer of land and marine assets with the ideal location and characteristics to deliver the UK content for component manufacturing being targeted by the UK and Scottish Governments.

Following award, tax site optimisation continued into the Setup Phase. During this phase the prospects for development on all the landholdings proposed at the bid phase were reviewed and changes made to the tax sites to further solidify and increase the potential of the land in question.

As part of this process, high-quality sites that were not able to be included within the bid were put back 'on the table' and the owners (in some cases new) of this land became fully engaged with the project. In particular, land at the Port of Ardersier and Highland Deephaven adds significant value to the proposition, contributing large, industrial sites with direct marine access, highly desirable to inward investors, to support the national priority of maximising UK content for offshore wind manufacturing.

At the same time, to support the development of the OBC and in light of the Governments' Setup Phase Guidance and developments since the bid, further detailed due diligence on the proposed tax sites was undertaken. This resulted in a refinement of all tax site boundaries, removing areas of land that may not be able to be developed within the tax relief window, and/or whose landowner was unwilling to provide undertakings to deliver the site and to support the broader Green Freeport project. This therefore allowed for the higher value landholdings now available, as well as some smaller new sites adjacent to the previous proposed tax site, to be accommodated.

Following submission of the OBC, further due diligence was undertaken by HM Treasury and HMRC, and this process resulted in the further refinement of the tax site offer, including the finalisation of all boundaries, the removal of a number of areas of land proposed in the OBC, and ultimately the agreement of the maps to be attached to the relevant statutory instruments.

This painstaking process has resulted in three tax sites being designated by statutory instrument on 8 April 2024 that have a diversity of offerings, a distribution across the Inner Moray Firth geography, and bring in a variety of landowners and other stakeholders into the fold. This portfolio approach is critical as it mitigates delivery risk.

All sites have been selected with a view to avoiding displacing investment from elsewhere by targeting propositions with clear evidence of potential investment in sectors with a high FDI share or where the logistics fundamentals favour a coastal, deep-water location with strong connectivity to both UK and global markets, and where on-site renewable energy supply makes the location ideal for green energy generation, which will be a critical part of a successful and fair Net Zero transition. This strategy has been borne out by the profile of the investment enquiries which have arisen since the 8 April when the UK tax site legislation came into force.

A key strength of the Inverness & Cromarty Firth proposition was the close relationships that the bidding consortium / governing body has with the parties who will be responsible for delivery. All are members of the OCF consortium, which has been working since 2020. The private owners of tax site land are fully bought into the opportunity Green Freeport status provides, the importance of protecting additionality, and the role that they have in maximising the outcomes for the region, including through commitments on funding and end use. The Green Freeport Company has worked extensively with landowners to develop the OBC, the information required for tax site designation and the FBC.

Tax Site Delivery Agreements (TSDAs)

The Green Freeport Company Board and tax site landowners recognise that if the UK and Scottish Governments are to put their faith in them by supporting a Green Freeport in the Highlands, then they will want to see further evidence that the proposal is deliverable, and the Green Freeport Company financially viable, so that they can be comfortable that the significant financial (and non-financial) tax site benefits are put to appropriate use.

All tax site landowners have therefore entered into a ‘Tax Site Delivery Agreement’ (TSDA) with the Green Freeport Company that formally sets out the actions on all parties which will be necessary to ensure timely delivery and benefit maximisation on tax sites.

Through the TSDA, landowners have committed to using all reasonable and commercial endeavours to ensure that their land is, as soon as reasonably possible, developed for uses that generate genuine additional economic activity. It also includes a mechanism for contributions by landowners to the Green Freeport Company to support its sustainable operation and wider supporting programmes (such as the Green Freeport Skills & Innovation Fund).

TSDAs have been designed so that the checks and balances do not create disproportionate barriers to development that would increase the risk of under-development. It is not reasonable to expect landowners and developers to make absolute commitments on the use of land where the potential commercial demand for that use is uncertain. Nor does the Green Freeport Company have the power to restrict what a private landowner can do on their land, not least where planning permission is in place.

TSDAs do, however, provide robust incentives for landowners to pursue the kinds of development that offer the best wider societal returns to the tax reliefs available on tax sites. These incentives include financial and reputational factors, including access to NDR relief, which flows via the Highland Council, and a fee structure which penalises non-compliant use of land.

A mechanism has also been formed and agreed with landowners in the event that they enter into a long lease for or dispose of part of their land to ensure the obligations under the TSDA remain with the land. When leasing /selling land within the tax site the seller/landlord is required to make the new owner/tenant sign a “Deed of Adherence” which passes on the obligations of the TSDA to the new landholder.

Some of the key elements of the agreements are summarised in the table below.

Table 47: TSDAs key terms

1. General	
Parties	- The Inverness & Cromarty Firth Green Freeport Company (‘ICFGFC’). - The Landholder.
Term	The Agreement is effective on the day of the designation of the relevant Tax Site by Statutory Instrument. The Agreement shall only come into force in respect of the part of the Landholding included within the Tax Site designated by Statutory Instrument. This Agreement shall continue until the Expiry Date. The Expiry Date is defined as the earliest of: 10 years from the date of the designation of the relevant Tax Site by Statutory Instrument; or - the last point in time where the Landholder or his tenants and successors in title, or an End User, could secure a tax benefit in respect of the Landholding; or - replacement of the Agreement with a subsequent agreement.
Reasonable Commercial Endeavours Basis	The Parties agree to use all reasonable and commercial endeavours to satisfy the obligations set out in this Agreement. The Parties must keep each other informed of any circumstances that may result in the obligations not being satisfied.

2. Actions and responsibilities of the Landowner	
Appropriate development	The Landholder shall use all reasonable and commercial endeavours to procure that the Landholding is, as soon as reasonably possible, used to: • directly or indirectly support the Inverness & Cromarty Firth Green Freeport Objectives; and • support economic activity that is additional to the Highlands region; and • facilitate the enjoyment of the benefits of some or all of the Green Freeport tax reliefs by businesses operating on the Landholding.
Delivery Plan	The Landholder shall share development intentions for the Landholding to provide a mechanism for the Landholder and ICFGFC to work together to help ensure: • the timely commencement and progression of the development of the Landholding; • the delivery of outcomes on the Landholding that are consistent with this Agreement; and • the coordination of resources and tools to address identified blockages and barriers to the above. The Landholder shall take all reasonable steps to implement and adhere to the development plans and shall keep ICFGFC informed of progress in such implementation. These plans, albeit at varying levels of development, have already been used to inform our Economic Case and the baseline study for our Net Zero Strategy.
Fair Work	The Landholders have signed and will adhere to the provisions of the Inverness & Cromarty Firth Green Freeport Fair Work Charter. The Landholder shall use all reasonable and commercial endeavours to procure undertakings from End Users to sign and adhere to the provisions of the Inverness & Cromarty Firth Green Freeport Fair Work Charter.
Net Zero and Sustainability	The Landholders have signed and will adhere to the provisions of the Inverness & Cromarty Firth Green Freeport Net Zero and Sustainability Charter The Landholder shall use all reasonable and commercial endeavours to procure undertakings from End Users to sign and adhere to the provisions of the Inverness & Cromarty Firth Green Freeport Net Zero and Sustainability Charter.
Provision of information	The Landholder shall comply with all reasonable requests from ICFGFC to provide information required by the UK and Scottish Governments for monitoring and reporting on activities and outcomes on Green Freeport Tax Sites. This data is collected on a quarterly basis with most data sets required less frequently. It is noted that, should the Landholding be benefitting from Green Freeport seed capital, further information will be required related to the expenditure of the seed capital and other funding for the relevant project to comply with The Highland Council's obligations to assure and be accountable to HM Government for the expenditure of Green Freeport seed capital. The Landholder shall use reasonable and commercial endeavours to ensure that end-users commit to participate actively and timely on all reasonable monitoring and evaluation requests received by the Landholder or ICFGFC.
Green Freeport fees	The Landholder shall pay to ICFGFC the Green Freeport Fees to support the operating costs of ICFGFC as per the funding agreement.
Contributions to the Inverness & Cromarty Firth Green Freeport Skills & Innovation Fund	The Landholder, or successors in title, shall bi-annually pay to the ICFGFC an amount, in arrears, relative to the value of Green Freeport National Insurance Contributions Relief they have benefitted from in that 6 month period. The Landholder shall secure from from End Users a Deed of Adherence with ICFGFC to provide the same contributions to the Inverness & Cromarty Firth Green Freeport Skills & Innovation Fund.
End User obligations	The Landholder shall use all reasonable and commercial endeavours to procure undertakings from End Users to comply with the requirements of this Agreement that relate to: • appropriate Development, • supporting the Landholder in developing and implementing the Delivery Plan,

	• Fair Work, • Net Zero and Sustainability, • provision of information, and • contributions to the Inverness & Cromarty Firth Green Freeport Skills & Innovation Fund.
3. Actions and responsibilities of ICFGFC	
Participation	ICFGFC warrants that the Landholder, subject to his compliance with his obligations under this Agreement, will be entitled to be a member of ICFGFC. Members of ICFGFC may be represented on the ICFGFC Board. Members will elect Board Members, according to a process outlined in the Articles of Association. ICFGFC warrants that the Landholder, subject to his compliance with his obligations under this Agreement, will be entitled to be a member of the Green Freeport Landholder Forum (if applicable following confirmation of ICFGFC governance arrangements).
Marketing and business development support	ICFGFC shall use reasonable commercial endeavours to: • market the Landholding as part of the Inverness & Cromarty Firth Green Freeport; • provide access to the Government agency support and activities available to Green Freeports; and • promote the Inverness & Cromarty Firth Green Freeport Objectives.
Funding applications and coordination	ICFGFC shall, if requested by the Landholder, subject to the Landholder's compliance with his obligations under this Agreement, use reasonable commercial endeavours to support the Landholder in the coordination of applications he is planning to submit for relevant Government, regional and other funding programmes, to the extent that such activity is considered by ICFGFC to contribute to the delivery of the Inverness & Cromarty Firth Green Freeport Objectives. Any such services will be provided on a basis that avoids conflict of interests between parties who may be submitting applications for the same programmes.
Inverness & Cromarty Firth Green Freeport Skills & Innovation Fund	ICFGFC shall: • design and deliver the Inverness & Cromarty Firth Green Freeport Skills & Innovation Fund to ensure proper and optimum use of the contributions to the fund provided by employers on Tax Sites; • develop and regularly review an investment framework for the Inverness & Cromarty Firth Green Freeport Skills & Innovation Fund which sets out how the fund will be administered and decisions on funding allocations made; • make the investment framework available to the Landholder; and • provide a report to the Landholder annually which sets out transparently the way which the Inverness & Cromarty Firth Green Freeport Skills & Innovation Fund has been managed during the previous year, including identification all uses of funds and how decisions on the allocation of funds have been reached.
Net retained NDR	Working with the Accountable Body, ICFGFC will design and deliver an investment plan for the use of the Green Freeport retained Non-domestic Rates (NDR). ICFGFC shall be entitled, at its discretion, to reject any funding applications from the Landholder, or which otherwise would benefit businesses on the Landholding, should the Landholder not be in compliance with his obligations under this Agreement.
Wider Green Freeport support	ICFGFC will: • advocate for the shared interest of landholders through the Green Freeport governance and support networks within the UK and Scottish Governments; • co-ordinate and assist with stakeholder engagement; and • utilise the wider Freeport and Green Freeport network for the benefit of the ICFGFP and landholders within it.
4. Remedies	

Withdrawal of Membership of ICFGFC	In the event that the Landholder is not in compliance with his obligations under this Agreement then ICFGFC shall have the right to remove the Landholder's right to membership of ICFGFC and representation on the ICFGFC Board until such a time that the Board is satisfied that the Landholder is once again complying with his obligations under this Agreement.
Withdrawal of NDR Relief	If a Landholder is not in compliance with his/her obligations under the TSDA, ICFGFC may recommend to The Highland Council that NDR Relief is fully or partially withdrawn in respect of the relevant hereditament on the Landholding.
Ineligibility to benefit from funding from net retained NDR	ICFGFC shall be entitled, at its discretion, to reject any funding applications from the Landholder, or which otherwise would benefit businesses on the Landholding, should the Landholder not be in compliance with his obligations under this Agreement.
Ineligibility from benefitting from ICFGFC services	ICFGFC shall be entitled, at its discretion, to withdraw or not provide the services described in this Agreement, should the Landholder not be in compliance with his obligations under this Agreement.

Clause 28 of the TSDAs contains a standard dispute resolution process involving the Scottish Arbitration Rules. Prior to this process being launched, it is the intention that all endeavours will be made to resolve the dispute constructively without the need for arbitration.

It is noted that, although not a signatory of the TSDA, certain rights and obligations will be placed on the Highland Council as Accountable Body and Rating Authority, via the Memorandum of Understanding which is expected to be entered into with the UK and Scottish Governments after the conclusion of the FBC process. These include enabling tax benefits and the application of net retained NDR in support of the Inverness & Cromarty Firth Green Freeport Objectives and exercising its discretion in the grant of Green Freeport NDR Relief.

Ongoing management of tax sites

Post-designation, the following mechanisms will be used to manage tax sites and retain the focus on delivering well-aligned investment:

- i) **Delivery Plans.** Regular meetings will be held with landowners to discuss/support how they intend to develop their tax sites and take advantage of the tax breaks, and – if applicable – seed capital. While it is accepted that plans do change and therefore landowners will not be held to these plans as such, the purpose of an outline is to allow the Green Freeport partners to work together to realise the benefits of the programme by:
 - identifying where developments may be dependent on the actions or decisions of another Green Freeport partner, the UK or Scottish Governments or other stakeholders (e.g. Crown Estate Scotland),
 - identifying synergies or conflicts between developments proposed by different tax site landowners, and
 - helping to highlight these or any emerging risks or issues which the ICF Green Freeport could help to manage or resolve.

These high level delivery plans are designed to facilitate collaboration and information sharing between participants on their respective developments. TSDAs do not create a legal obligation on the tax site landowner to deliver precise plans, however they require tax site landowners to update their plans periodically, and to inform Green Freeport of any major changes or emerging risks.

- ii) **Monitoring and evaluation.** The Green Freeport monitoring and evaluation programme will include the collation and analysis of a large amount of data around activity on tax sites, with a focus on assessing the realisation of outcomes and benefits and policy alignment. It is expected that the process of collecting information from landowner and developers, and then submitting it to Government, will focus their attention on compliance and delivery.
- iii) **Withdrawal of NDR relief.** NDR relief is provided at the discretion of the Rating Authority, and the Highland Council will consider removing NDR relief from any entities on tax sites undertaking activity that is considered to be misaligned with the objectives of the Green Freeport and the obligations made in the relevant TSDA.
- iv) **Step-up in tax site levies.** The landowner charging mechanism within the TSDA includes provision for a significantly higher annual charge to be levied in respect of tax site land where the activity is considered poorly aligned with the objectives of the Green Freeport and the provisions of the relevant TSDA.
- v) **Withdrawal of participation rights.** Any entities on tax sites undertaking activity that is considered poorly aligned with the objectives of the Green Freeport and the provisions of the relevant TSDA may have their membership of ICFGFC withdrawn, including – if applicable – membership of the Green Freeport Landowner Forum and the right to representation on the Board of Directors.
- vi) **Ineligibility for funding from Green Freeport programmes.** Any entities on tax sites undertaking activity that is considered poorly aligned with the objectives of the Green Freeport and the provisions of the relevant TSDA will not be eligible to apply for funding from Green Freeport programmes such as the net retained NDR programme and the Green Freeport Skills & Innovation Fund. They may also be considered ineligible for support in terms of marketing and promotion.

Land ownership and planning status

The table below sets out the land ownership for each tax site.

Table 48: Tax site land ownership

Tax site	Landholding	Size (ha)	Ownership	Landowner category
Cromarty Firth	Highland Deephaven	50.2	Highland Resources Inc	Private company
	Invergordon Service Base	82.76	Cromarty Firth Port Authority	Trust port
	Port of Nigg	105.99	Global Energy Group (some on long term lease from the Wakelyn Trust and the Dunskaith Property Development Company)	Private company
	Pitcalzean Farm	72.21	Pitcalzean Farm Enterprises	Private company
	Wakelyn Trust and the Dunskaith Property Development Company	18.22	Wakelyn Trust and the Dunskaith Property Development Company	Private company
Inverness	Port of Inverness	15.67	Port of Inverness	Trust port
	Aurora Energy	0.45	Aurora Energy Services	Private company
	Longman former landfill site	10.50	The Highland Council (managed as part of the Inverness Common Good Fund)	Local authority
	Inverness Campus	10.90	Highlands & Island Enterprise	Regional economic and community development agency
Ardersier	Port of Ardersier	153.49	Haventus / Ardersier Port Limited	Private company

Full details of the planning status of each site are provided in Appendix 2.

4b. Procurement strategy

The ICFGF procurement strategy aims to provide a framework for those in charge of procurement to cost effectively secure goods, services and works from suppliers who can deliver to time and quality.

There are three main areas of procurement relevant to ICF Green Freeport Ltd:

- 1) Procuring specialist advice and services in preparing the OBC, FBC and subsequent delivery of the aims of the ICF Green Freeport.
- 2) Outsourcing the necessary core operation functions including but not limited to accountancy, audit, payroll, legal advice, HR advisory, IT, and communications.
- 3) Costs associated with running the office including rent, fittings & fixtures, office equipment, office consumables.

It is anticipated that following conclusion of the FBC and MOU process that ongoing spend the first of the above three categories will decrease significantly.

The company's procurement procedure is designed to deliver consistency, to ensure relevant standards are met, and to ensure best value for money is received for goods and services. The CEO is responsible for the implementation of this procedure, with support from the Officer Manager. The procedure covers:

- 1) Delegated Powers
- 2) Tendering and Contracting
- 3) Supplier evaluation

There will be a strong focus on encouraging procurements that:

- deliver Value for Money (VfM),
- ensure that regulatory standards are met,
- deliver wider economic, social and environmental benefits, and
- contribute to low carbon objectives and adherence and positive contributions to equality.

ICFGF's key partners such as The Highland Council, Highlands & Islands Enterprise and the trust ports, have their own procurement policies, contract standing orders and procedural notes for officers to deliver robust and compliant procurements. These are consistent with and build upon national best practice. Within these policies, detail is found on how the council delivers wider economic, social and environmental benefits, sometimes referred to as sustainable procurement or responsible procurement strategies. Guiding principles are provided on:

- modern slavery,
- fair contracting and living wage,
- skills development including apprenticeships and training,
- local spend,
- supporting SMEs and local supply chains,
- green purchasing, the environment and supporting the net zero agenda,
- equality and diversity, and
- embracing innovation.

As the Green Freeport develops, the route to market for each procurement will be based on a range of existing commercial arrangements that are already in place including use of in-house teams and existing appointments of specialist services where appropriate. A number of regional and national frameworks will be utilised (both by public and private sector partners). These frameworks allow buyers to gain better

commercial deals through bulk deals to the market as if they were supplying a single customer. All such frameworks are compliant with key procurement regulations and have standardised contract terms to reduce administration. Many of these frameworks have a range of suppliers from large multi nationals through to small and medium sized businesses (SMEs) and have continuous improvement mechanisms built in.

Seed capital scheme development, assurance and approval

Outline Business Cases for all seed capital schemes have already been developed, the assessment of which has formed the basis of the package proposed in this FBC (see section 1ci1).

Full Business Cases for seed capital schemes will be developed following the principles of HM Treasury Green Book and supplementary guidance, including the DLUHC Appraisal Guide and DfT WebTAG. The Accountable Body will appraise the Full Business Cases.

In undertaking appraisal of the Full Business Cases, attention will be given to social value considerations and the assessment by the scheme promoters of any potential impacts on people with protected characteristics, and – if any potential negative impacts are identified – the mitigating actions that will be delivered.

At the completion of the appraisal and assurance process, each business case will need to be signed off by the Section 95 Officer. This is because the Accountable Body is accountable to Government for the expenditure and management of centrally funded public money – including seed capital investments.

Acting as Accountable Body, the Highland Council will:

- receive funding on behalf of the green freeport company from the UK and Scottish governments.
- ensure that funding is used appropriately in accordance with the law, good financial management and any applicable grant conditions,
- establish and maintain financial systems to account for all funding received and disbursed on behalf of the green freeport company, checking claims for payment in arrears against defrayed expenditure by project sponsors,
- ensure that all required information on expenditure, activities and outcomes are properly recorded and reported,
- ensure that good governance is embedded in the decision making of the green freeport company, and
- provide support to the board and any sub-committees or working groups to provide assurance on compliance of the seed capital Full Business Cases with green book principles and relevant guidance.

Seed capital scheme procurement

Seed capital projects will be procured through the project promoters who are responsible for project delivery. A summary of the proposed procurement approach for each scheme is provided in the table below, based on the information submitted as part of the scheme Outline Business Cases. The Outline Business Cases have been provided in full to the UK and Scottish Governments as part of the appraisal of this FBC.

Table 49 – Seed capital scheme procurement

Scheme	Procurement approach
Inverness Campus Phase 2	The process that HIE is adopting to advance this project is to procure Planning in Principle (PIP) for the site as a whole. This is progressing through various procurement routes including the use of existing framework providers and Quick Quote procurement routes for specialist suppliers required to support the design lead. In tandem to the PIP process, HIE will be procuring a design team to deliver the detailed design and statutory consents for the infrastructure and associated activities. The procurement process will be based on a Quality and Price basis typically in the region of 60% Quality and 40% Price, although these percentages may vary over the course of the planning process. Given the value of the proposed works for Phase 2, it is likely that the Price weighting may represent the greater value, however this is still to be agreed.

	Project and Cost Management services for the project will be called off from existing frameworks which have been previously pre-procured. Based on this value of works, then a competitive open tender will be required (formerly OJEU value) which would be managed by the HIE Procurement Team. The tender would comply with Public Procurement Regulations with the tender based on the Most Economically Advantageous Tender (MEAT) based on a Quality and Price evaluation criteria.
Port of Inverness - Longman Quay Improvement	At the outset, the Port Management Team appointed Wallace Stone as engineers to advise on the scope, nature, extent, financial planning, and procurement method for this project. The procurement strategy has been designed to deliver the best value to the Port and a minimum of three contractors will be invited to tender to undertake the work on a competitive basis. As with past projects of this scale and nature at the Port, prior to the tender documents being issued early engagement will be held with a number of contractors to ascertain their availability, appetite, and interest in submitting a tender return for this project. The intention being to ensure that contractors invited to tender submit a return. Tender returns will be assessed against an agreed scoring matrix with specific weightings given to price, experience and methodology. The judging panel will comprise the Chief Executive, Partner responsible at Wallace Stone and the Trustee with oversight of financial matters at the Port. The preferred method will be to appoint a single contractor for the duration of the contract – i.e. the four phases. At present it is envisioned that the contractor will provide a fixed price for the first two phases and before the start of the third and fourth phases the contractor will be asked to provide an updated price for these two final phases. This updated price would either be done with reference to an inflation percentage (CPI/RPI for example) or by negotiation where the contractor would be asked to justify the price increases for the last two phases. If acceptable then the contract would proceed on the previously agreed basis. All this information would be set out in the initial tender documents, so each contractor was aware of the basis on which they were being invited to tender.
Longman Hydrogen Project	The procurement will be a single stage competitive tender administered via Public Contracts Scotland. The Design Team has been appointed and have widely consulted with NatureScot. In addition, Atmos Consulting has been appointed to provide specialist advice and support as and where required. Atmos Consulting has undertaken ecological surveys of the site. As part of the procurement process there will be a Best Value assessment carried out based on Quality and Price. The criteria and weightings for these have still to be confirmed. The Tenders will be issued as an open Tender via Public Contract Scotland Tender.
A9 Tomich Junction Improvements	The design will be procured through the Scotland Excel framework contract to employ engineering resource to complete the design and planning for the project. The design and planning phase will take around 6 to 9 months followed by 3 months procurement. The tender list will be between 5 and 8 contractors who have passed the 1st stage of pre-qualification and who are capable of carrying out the works. The tenders will be assessed on a Quality and Price basis using a 60% quality / 40% price. This process will assure value for money as well as the quality of construction.
Port of Cromarty Firth - Phase 5	PoCF has an approach to procurement which helps it deliver economically, and support developers to incorporate local content and works in Scotland. Clear roles and responsibilities for procurement are captured in the Port's Purchasing Goods & Services procedure. Where possible PoCF undertakes works using experienced in-house resources, complemented by outsourcing to the supply chain where necessary. This ensures PoCF delivers projects effectively, managing the delivery risks through effective resource allocation. At the time of issuing the tender notice via the Public Contracts Scotland website, the tendering exercise will be bound to comply with the relevant procurement regulations in place at the time. In advance of October 2024 this would be The Utilities Contracts (Scotland) Regulations 2016, thereafter assuming the anticipated timetable for implementation of the

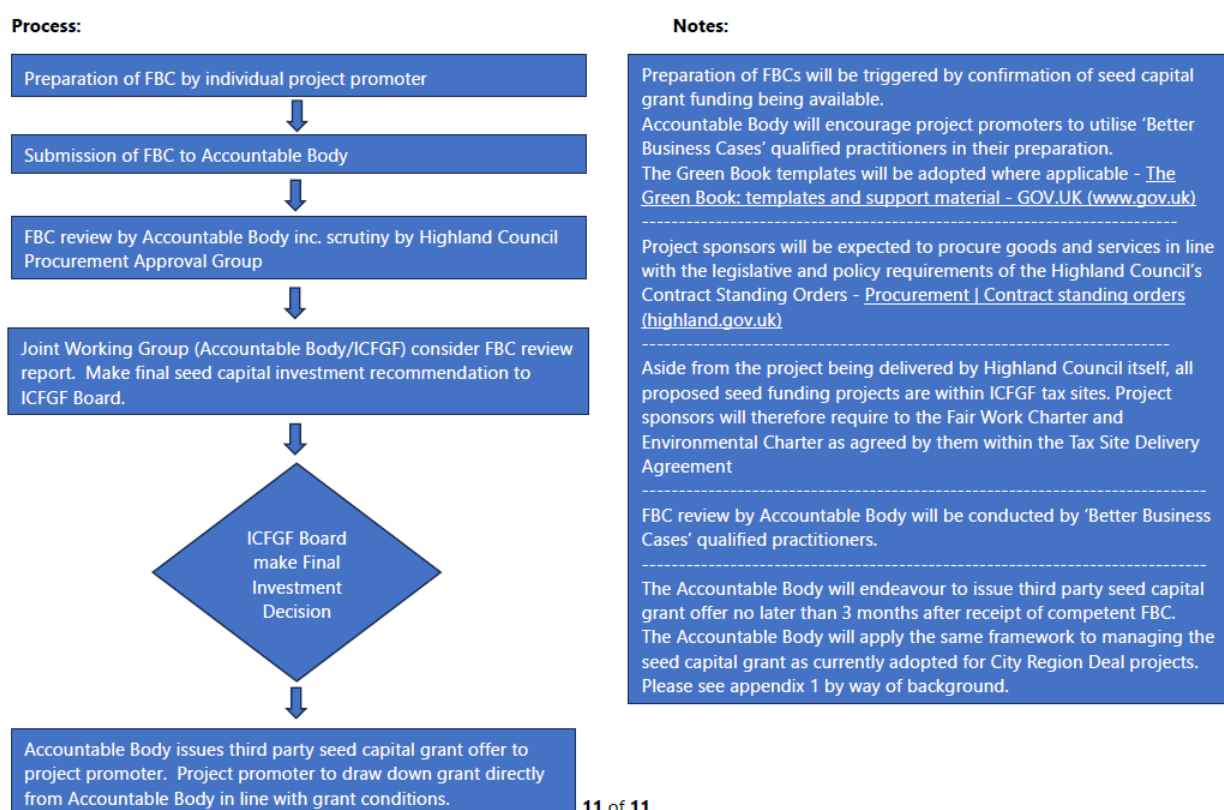
	new 2024 procurement regulations is followed we would have to follow and implement the tender in line with these new regulations. The environmental team working on the Environmental Impact Assessment are doing so in compliance with The Town and Country Planning (Environmental Impact Assessment) (Scotland) Regulations 2017. The engineering team working on the design is doing so in compliance with the Construction (Design and Management) Regulations 2015. At this stage an engineer has been appointed as Principal Designer and, upon appointment of the Contractor responsible for the design and build scope of works, the duties of the Principal Designer will transfer across to the Contractor, as well as the Principal Contractor duties. The Principal Contractor must ensure compliance with various health and safety and environmental legislation as part of their works. Under the NEC4 ECC Option A contract, the activity schedule must align with the programme, providing clear visibility on deadlines for specific tasks and corresponding payment milestones. If the Contractor fails to meet the agreed completion dates, penalties may be imposed. Additionally, the Client has the option to include a bonus clause for early delivery of work. This incentivises timely completion while ensuring fair compensation for exceptional performance. Within all appropriate tender notice and documentation clear statements for the tender evaluation criteria will be provided. Within the SPD documentation the tenderers will be asked to complete the standard questionnaire to allow the PoCF procurement team to identify suitability experienced and qualified bidders to invite to tender. This will ensure that PoCF's own monies, along with any grant monies, are spent with lawful, capable and stable suppliers. The SPD will be assessed mainly on a pass / fail basis with some technical questions which are scored and weighted and require the bidder to provide detailed responses within word count limits. These will be scored using an agreed assessment score system. The Contractors who will be invited to tender will have visibility with regards the weighting which could be, for example, 60% quality and 40% commercial. The commercial section will be assessed with 100% of the commercial score allocated to the lowest bidder and then a formula used for comparing that score to other bidders. PoCF will base the award on the most economically advantageous tender assessed from the point of view of the contracting authority and using the best price-quality ratio, which shall be assessed on the basis of criteria as defined below. The quality section will assess various criteria for the Contractors submission – for example, programme (60%), construction methodology (11%), design (6%), construction team resources (6%), environmental management during construction (8%), management of delivery of materials to site (3%), community benefits (6%). It is anticipated that the programme will have the highest weighting of the quality score. PoCF will also detail to the bidders how the marks for the assessment will be allocated for each of the questions. Whilst PoCF will seek to ensure value for money, should any abnormally low tenders be received then in accordance with the regulations there is an ability to seek explanation from the bidder before, if necessary, taking action to reject the bid.
Port of Nigg – Land Development Projects	Expansion and Enabling works of East Quay & Nigg Oil Terminal: Given these project's low technical risk, a local competitive tender process has been identified as the preferred route. To enhance the procurement process, engagement with a minimum of three contractors will be initiated, fostering healthy competition, and ensuring a robust selection. Early consultation with contractors will be instrumental in refining the procurement method and enhancing the overall efficiency of project delivery. Steel Rolling Manufacturing Facility Enabling Works: Similar to the East Quay and Nigg Oil Terminal works, the ground enabling works for the Steel Rolling Manufacturing Facility carries low technical risk. However, it deviates in that the works associated with diverting high voltage cables and repositioning electrical infrastructure will necessitate specialist input and pre-tender discussions with contractors. To streamline the procurement process, engagement with a minimum of three contractors, covering both ground works and electrical works, will be initiated to ensure a robust selection. An additional risk assessment will be

	conducted during the tender evaluation process to mitigate any potential disruption to the Port of Nigg's ongoing operations during the electrical phases of work. Electrical Upgrade of Port of Nigg (Phase Two): For Phase Two of the Electrical Upgrade at the Port of Nigg, SSE Networks (SSEN) will largely define the preferred procurement strategy and technical solution as the electrical infrastructure provider. SSEN's crucial role in ensuring proposed upgrades meet future needs will be complemented by a robust operating interface with GEN to mitigate disruption. Early consultation with the supply side is essential for optimising the procurement method, considering the project's complexity and multiple stakeholders. In evaluating procurements for GEN's seed capital projects, priority will be given to HSEQ factors, program certainty, and cost to identify the best value and lowest risk solutions. The criteria emphasise full compliance with health, safety, and environmental regulations, including the Construction (Design and Management) Regulations 2015. This ensures selected suppliers uphold high standards in these areas, aligning with our commitment to responsible and sustainable project development.
Port of Nigg – HV/DC Cable Factory Enabling Works	HV/DC Cable Factory Enabling Works: Given these project's low technical risk, a local competitive tender process has been identified as the preferred route. To enhance the procurement process, engagement with a minimum of three contractors will be initiated, fostering healthy competition, and ensuring a robust selection. Early consultation with contractors will be instrumental in refining the procurement method and enhancing the overall efficiency of project delivery. Electrical Upgrade of Port of Nigg (Phase One): For Phase One of the Electrical Upgrade at the Port of Nigg, SSEN will largely define the preferred procurement strategy and technical solution as the electrical infrastructure provider. SSEN's crucial role in ensuring proposed upgrades meet requirements of the HV/DC Cable Manufacturing Facility will need to be complemented by a robust operating interface with GEN to mitigate disruption. Early consultation with the supply side is essential for optimising the procurement method, considering the project's complexity and multiple stakeholders. In evaluating procurements for GEN's seed capital projects, priority will be given to HSEQ factors, program certainty, and cost to identify the best value and lowest risk solutions. The criteria emphasise full compliance with health, safety, and environmental regulations, including the Construction (Design and Management) Regulations 2015. This ensures selected suppliers uphold high standards in these areas, aligning with our commitment to responsible and sustainable project development.
Port of Nigg – West Quay Enabling Works	Given investigative work project's low technical risk, a local competitive tender process has been identified as the preferred route. To enhance the procurement process, engagement with a minimum of three contractors will be initiated, fostering healthy competition, and ensuring a robust selection. The evaluation criteria will prioritise factors such as Health, Safety, Environment, and Quality (HSEQ), along with considerations of programme certainty and cost. This evaluation approach aims to identify the best value and lowest risk solution for each project. Early consultation with contractors will be instrumental in refining the procurement method and enhancing the overall efficiency of project delivery. In evaluating procurements for GEN's seed capital projects, priority will be given to HSEQ factors, program certainty, and cost to identify the best value and lowest risk solutions. The criteria emphasise full compliance with health, safety, and environmental regulations, including the Construction (Design and Management) Regulations 2015. This ensures selected suppliers uphold high standards in these areas, aligning with our commitment to responsible and sustainable project development.
Highland Deephaven Strategic Definition and Preparation & Briefing (Phase 1) Highland Deephaven Concept Design and	Highland Deephaven would look to outsource professional procurement services to develop and undertake the tendering exercise for the service requirements identified. Highland Deephaven intends to undertake a selective, single-stage tender exercise with a focus on cost reduction, in addition to sustainable and ethical procurement. Where possible, the tender analysis would favour local service providers – not only to align with the ICGF

Spatial Coordination (Phase 2)	benefit of productivity in the local region, but also to reduce travel and therefore overall carbon emissions of the project. Highland Deephaven intends to seek input from its existing maritime consultant in addition to a procurement consultant, to ensure that the procurement process is technically accurate in addition to meeting necessary standards. Highland Deephaven would ensure that the necessary Public Procurement Regulations are used in line with the Procurement Reform (Scotland) Act 2014. Highland Deephaven foresees three separate contracts necessary to support its project. These are a) the contract between Highland Deephaven and its procurement consultant, b) a contract between Highland Deephaven and the investigation / survey contractors and c) a contract for delivery of the actual development, subject to the outcome of the feasibility exercise. Highland Deephaven would rely on its procurement consultant for the purposes of determining the most appropriate contracts to be used in b) and c).

Project promoters will be expected to set out the final details of their procurement approach in the Full Business Cases submitted for approval to the Green Freeport Board and the Accountable Body, according to the process set out in the figure below.

Figure 11: Seed capital assurance process



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Note: the Highland Council Standing Orders referenced in the figure above can be found here - https://www.highland.gov.uk/downloads/file/5237/contract_standing_orders

The Highland Council has experience in acting as Accountable Body in such initiatives, including as lead body in the Inverness & Highland City Deal which was agreed by both Scottish and UK Governments.

Projects must demonstrate that procurement will be through a robust, transparent, and funder-compliant competitive process to ensure that value for money is secured and any applicable laws observed. There will be a need to understand what procurement is required, who will conduct the procurement, timescales and milestones, and any dependencies with other programmes/procurements. As is appropriate for the Full Business Case phase, information will also be sought on:

- the regulatory/best practice standards that will be met and how the following will be considered: modern slavery, generating social value, Net Zero and environmental impact, consultancy controls, SME utilisation, actively embracing innovation,
- the approach to cost modelling and pricing mechanisms,
- the proposed route(s) to market (procurement route(s)),
- any market testing that has taken place or is planned (including pre-tender market engagement (PTME)), and
- evaluation criteria/questions for the procurement and how these will ensure the right goods/services/land/buildings are procured, in a VfM manner, and to standard.

As part of the procurement process, it is expected that due diligence will be undertaken by scheme promoters to ensure that selected contractors have experience in undertaking similar projects successfully, demonstrating professionalism, credibility, and the capability to complete the project on time and on budget.

Principal contractors will be required to demonstrate effective processes and systems to engage the appropriate and required subcontractors (which is often essential on projects where industry specific, specialist expertise will be required).

The use of local supply chains will be encouraged, and principal contractors should be able to demonstrate how their processes support this.

The assessment of the procurement processes will include assurance of:

- general background and financial status of the applying business,
- compliance background and history – specialist expertise,
- track record of project delivery, where relevant,
- price,
- value for money and economy of scale,
- policies related to environmental practices, sustainability (including net zero and waste reduction), equality, diversity & inclusion, modern slavery, alongside health, safety and welfare,
- quality, monitoring and audit systems, and
- wider impacts added and social value (including for example demonstrating willingness to ensure local hiring to provide local employment opportunities, embracing the Green Freeport's culture of inclusivity and the contribution that the Green Freeport can make to its local communities in the Highlands).

It will be the responsibility of the main contractors to appoint any sub-contractors. Contractual arrangements will ensure that the risks associated with sub-contractor appointment are the responsibility of the main contractors. The main contractors will be contractually required to undertake appropriate due diligence on sub-contractors to ensure they:

- have good financial standing,
- have good reputational standing,
- adopt safe working practices,
- are properly insured (subcontractors will be required to provide the principal contractor with all risk insurance policies alongside professional indemnity insurance),
- have the capacity and experience to deliver high quality work,
- support the Green Freeport's ambition for inclusivity and diversity in terms of workforce hiring, skills and capacity building.

In addition to the above, the owners of tax site land are required to meet the objectives stipulated in the Tax Site Delivery Agreements (TSDA). Eight of the nine seed capital projects relate to land/assets within the tax sites (the only project not within a tax site is Highland Council's own project). The TSDAs include a Net Zero and Sustainability Charter, plus a Fair Work charter, which includes an obligation to pursue:

- carbon management of infrastructure projects will be conducted in accordance with the latest version of PAS2080,
- adopt sustainable procurement practices, with public sector bodies conducting sustainable procurement in accordance with the Procurement (Reform) Act 2014, and
- monitoring UNSDG achievement. For each of the 17 UN goals, SMART SDG targets will be set against the GF organisation's baseline data.

4c. Risk transfer

Allocation and management of risk is central to strong and successful commercial contracts. It is therefore essential that consideration is given to risk allocation approaches in business case development and as part of commercial and procurement strategies to ensure successful delivery. Effectiveness and value for money of contracted services will only be achieved where risk allocation is equitable and where the party managing the risk is the one most reasonably able to do so.

Seed capital scheme promoters have provided preliminary information on risk transfer within their Outline Business Cases. They will be expected to set out the details of their approach to risk management in the Full Business Cases. The risk management approach will include how to address capital cost risks, recognising that seed capital funding is capped. Through their financial, procurement and contracting arrangements, project promoters will be expected to take all reasonable steps to remove or mitigate risks or to pass these risks to the appointed contractor, including for example:

- setting suitable contingencies in project budgets, based on accurate cost information,
- early contractor involvement,
- agreeing fixed price contracts or target cost models,
- setting fixed delivery and completion periods within contracts,
- securing performance guarantees and warranties,
- arrangements (e.g. damages) in the event of any failures to achieve milestones and or compliance matters,
- effective agreements with subcontractors to ensure that appropriate liabilities are held throughout the delivery chain,
- an agreed contract revision / change process to be in place,
- effective contract management arrangements,
- a clear change management process, and
- effective management, monitoring and project progress reporting.

Full Business Cases must include a detailed risk register covering all the risks that apply to the project and clearly documenting who is responsible for each risk.

Seed capital funding agreements will set out the ownership of risks related to the project. These funding agreements will make it clear that commercial and other risks will be transferred to project promoters as a condition of funding. Responsibility for overspends will rest with project promoters. Neither the Green

Freeport Company, nor the Highland Council in its role as Accountable Body, will take responsibility for commercial or financial risks associated with third party schemes.

As set out in section 4b, many projects will be procured via existing contracting frameworks. These frameworks have mature contracting processes including tested prices, as well as control mechanisms for a number of the risks that that may be transferred. This includes contracts with clear payment mechanisms based on fixed price and or cost reimbursable approaches with fixed prelims and profit margins managed by skilled Quantity Surveyors who undertake commercial valuations.

4d. Contract management

Seed capital scheme promoters will be responsible for implementing suitable contract management arrangements. The organisations involved in delivering the schemes are all well-established mature organisations with a record of delivering large projects and robust contract management.

Seed capital scheme promoters have provided preliminary information on commercial models and contract management within their Outline Business Cases. For example:

- For works to be contracted directly by Global Energy Nigg, a standard form of engineering and construction contract will be used. Typically, these would be from the NEC family of contracts, with either a long or short form option chosen based on the value and risk profile of the works. Contracts would contain appropriate provisions for management of change, late delivery, and contractor performance. As appropriate to scope, contractors will be required to provide Parent Company Guarantee (PCG), performance bond, and acceptable level of liquidated damages in the event of programme overrun or late delivery. Payments under contract will be based on milestones achieved and validated by an appointed quantity surveyor or managing engineer.
- Contract terms for electrical upgrade works at Nigg will be dictated by SSEN, as the network provider. PON will have limited scope to vary the proposed terms and conditions but will seek to ensure that appropriate provisions are included within agreement to achieve the proposed completion dates for the works.
- For the Longman Landfill project, the works will be carried out in accordance with the SBCC Standard Building Contract with Quantities for use in Scotland (SBC/Q/Scot), 2016 Edition, incorporating Amendment 1, February 2018.
- The Port of Cromarty Firth intends to include in the Principal Contractor's contract a set of incentives, combined with some penalties to drive good behaviour and desired outcomes. KPIs will in the contract to encourage alignment and collaboration whether in relation to HSEQ, stakeholder engagement, Net Zero commitments or other aspects of the project. Value engineering will be rewarded if savings are achieved, and the benefit shared between employer (PoCF) and Principal Contractor. PoCF will use a retention as well, applied at appropriate levels and for an agreed period, to ensure good quality of delivery and payment in time to sub-contractors and suppliers of the Principal Contractor. In previous projects, this has ensured invoices from local suppliers, including many SMEs, were paid on time and afforded them an additional level of financial protection.

All seed capital scheme promoters will be expected to set out the details of their approach to commercial models, contract management and resourcing in the Full Business Cases. A review of contract management procedures will be part of the Full Business Case sign off/ gateway by the Accountable Body. This will ensure that contract management capacity and mechanisms are identified for each project and adequately scrutinised and assured.

Many of the contracting arrangements proposed for seed capital projects utilise existing national delivery frameworks where contract include performance management, obliging suppliers to regularly report on key criteria and also obliging suppliers to improve value and service over time.

It is expected that each scheme promoter will nominate a named individual as project manager. Each project manager will be responsible for execution of contracts to time, cost and quality and ensuring each contract

delivers its outcomes and objectives which can include social, economic and environmental benefits as outlined in the procurement guiding principles. The named project managers for each scheme will be expected to provide regular reporting of project progress to the Green Freeport Company and the Accountable Body.

4e. Public sector borrowing

Neither the Green Freeport Company nor the Highland Council currently plan for any borrowing against future income from net retained NDR. The Green Freeport Company and Highland Council may consider investment proposals where there is a requirement for forward-funding investment until such time as net retained NDR income is available to support the investment. Where this cannot be managed within the overall net retained NDR income in a given year, there may be a cashflow and financial risk to be considered, with the potential the request is for Highland Council to forward fund. As a result, it is expected such forward funding for investment would only be considered in scenarios where the nature of investment is of a key enabling nature, and where the Council considers there to be a natural 'fit' and role for the Council to be the enabling party. There would have to be due consideration of the outcomes to be delivered relative to the financial and other risks that may arise from forward funding, with it ultimately being a matter for the Council to consider through its own formal governance arrangements.

4f. Subsidy Control

Highland Council recognises that in connection with the Green Freeport and the awarding of Non-Domestic Rates Relief and Seed Capital funding, it has responsibilities and obligations under the Subsidy Control Act 2022. In doing so, the Council will first determine whether the awards are likely to amount to subsidy. This four limb test to determine if subsidy applies or not to the project/activities has already been undertaken at OBC stage and again at FBC when a material change was identified with a seed capital project. This process will be followed again once final seed capital project business case are prepared.

The Council is aware that the Scottish Government and the UK Government's Department for Levelling Up, Housing and Communities have created a subsidy scheme for the Scottish Green Freeports programme and thus, if it is determined that subsidy applies, the Council will utilise the Scottish Green Freeports Subsidy Scheme when making Non-Domestic Rates Relief awards and Seed Capital Subsidy grants.

In respect of Non-Domestic Rates Relief the Council will put in place an assessment process to satisfy itself that any relief awards given complies with the subsidy scheme and its associated guidance. It will also put in place an appropriate mechanism to recover relief where it becomes necessary to do so. It will also, under the transparency requirements placed on it, report any subsidies above £100,000 on the Subsidy Control Database.

In respect of the Seed Capital Subsidy grant awards, the Council will assess final projects against the subsidy scheme eligibility criteria as prepared by Scottish Government and the UK Government's Department for Levelling Up, Housing and Communities and only award grant when the criteria is met. It is noted that as part of this assessment of an individual eligible project, there is also a need to establish and account for other subsidies used to deliver eligible project activities and ensure (with regards to cumulation rules) co-funding partners have appropriate subsidy cover in place. If the combined value of Related Subsidies supporting an eligible project exceeds £25m the project then the Council will not utilise the Green Freeport Subsidy Scheme and either a separate standalone award or subsidy scheme may need to be put in place. The scheme also distinguishes between revenue and capital expenditure (and a Seed Capital Subsidy can only support capital expenditure) and defines Eligible Costs and Ineligible Costs. These factors will form part of the assessment of final projects.

Similar to the award of non-domestic rates relief, the Council will when awarding a Seed Capital grant, include in all legal agreements with the recipient(s) an appropriate mechanism to recover that subsidy should it be found not to comply with either the general requirements set out in the relevant Full Business Case or with

domestic or international subsidy control obligations. Any grant award above £100,000 will be reported on the Subsidy Control Database within 3 months of a legal commitment being made by the Council.

Any use of the retained Non-Domestic Rates will first be assessed to determine if subsidy applies. If subsidy does apply the Council will seek to determine whether an appropriate subsidy control scheme provides for the subsidy to be given and if not, a separate standalone award or subsidy scheme may need to be put in place.

MANAGEMENT CASE

5a. Governance

Corporate structure

Opportunity Cromarty Firth was established in March 2020 and initially operated as an informal partnership of public and private sector stakeholders working together to develop the proposal for the Inverness and Cromarty Firth Green Freeport. The consortium was chaired by a representative of the Port of Cromarty Firth, a Trust Port operating as an independent statutory body, which also provided the secretariat function. Members of the consortium contributed financially to the development of the proposal and were bound by confidentiality undertakings.

Following the award of Green Freeport status in January 2023, Opportunity Cromarty Firth transitioned into an incorporated entity, responsible for the governance and management of the Green Freeport. Inverness and Cromarty Firth Green Freeport Limited (IGFGF Ltd) was incorporated under the Companies Act 2006 as a private company limited by guarantee, company number SC735754, for that purpose. This model was selected by the consortium as it is a well understood mechanism for public-private partnerships and one that has been used by several Freeports in England.

ICFGF Ltd was established under model Articles of Association and these, along with the associated policies and procedures for the Company, are now being expanded and developed. Those articles have now been updated to represent the aims and governance arrangements more precisely, and have been adopted by the Board of the ICFGF including the Accountable Body. A copy of the new articles is provided in Annex H.

As a company limited by guarantee, ICFGF Ltd has members, rather than shareholders, and will not distribute capital to its members by way of dividend. Any surplus generated by the Company is instead directed towards the future purpose of the Company.

The initial members of the Company are the Highland Council, the Port of Cromarty Firth, Global Energy Group, the Port of Inverness Harbour, the University of the Highlands & Islands (UHI) and Highlands & Islands Enterprise (HIE). It is proposed that once the FBC has been submitted and approved, the Board will be expanded (see below). This will include independent members and those representing broader interests within the associate group (formerly known as the consortium members.)

Board of Directors

Purpose & objectives

The core purpose of the Board is to set the strategic direction of the Green Freeport, ensuring that activity aligns with the stated aims as described in the original ICF Green Freeport bid. It is also the job of the Chair and wider Board to ensure robust governance procedures are created and maintained, with regular and accurate reporting provided to stakeholders including the UK and Scottish Governments.

Core objectives of the Board include the creation of long term, high value employment in the region, and addressing population loss and inequalities. The terms of reference are provided in Annex H.

The make-up of the Board as described below will also ensure the Green Freeport has a strong input from key asset owners and from broader associates such as offshore developers and hydrogen producers, thereby ensuring the Green Freeport stay at the leading edge of industry requirements.

Roles and responsibilities

The following are the Terms of Reference for the Board which reflect the Company's specific functions. As per the guidance these are detailed further in Annex H, but the core purpose is to promote the development of the Green Freeport as a prime location to support:

- a. regeneration and high-quality job creation to support the levelling up agenda,
- b. decarbonisation and a just transition to a net zero economy,
- c. global trade and investment, and
- d. an innovative environment.

Decision-making

Each director on the Board has one vote which may be cast on matters considered at a meeting of the Board. Votes can only be cast by members attending (whether in person or by audio / video link) a meeting of the Board, or by proxy vote.

The general rule about decision-making by the Board is that any decision must be a majority decision at a meeting. The Chair will have a casting vote. The revised Articles of Association set out in full the process by which decisions are made.

Where a decision relates to the expenditure of public funds (e.g. seed capital funding or net retained NDR), the decision must comply with the process set out Annex H.

Membership

The Company's Board currently consists of 9 directors as follows:

Table 50: Current Board membership

1	Jim Smith	Independent Chair
2	Malcolm MacLeod, The Highland Council	Local Authority, rating authority, planning authority and tax site landowner
3	Alex Campbell, Port of Cromarty Firth	Statutory harbour authority, tax site landowner and potential customs site operator
4	Roy MacGregor, Global Energy Group	Tax site landowner and potential customs site operator
5	Sinclair Browne, Port of Inverness	Statutory harbour authority, tax site landowner and proposed customs site operator
6	Roger Sendall, University of the Highlands & Islands	Innovation and academic stakeholder
7	Donald MacRae	Independent nominee of Highlands & Islands Enterprise
8	Lewis Gillies, Port of Ardersier	Tax site landowner and potential customs site operator
9	Calum MacPherson	Chief Executive Officer, ICFGF

It has been agreed that following the submission of the FBC the Board will evolve to ensure participation of a broader representative group, whilst at the same time ensuring a focus on the underlying goals of the Green Freeport. The Chief Executive Officer is now a company director as was proposed in the OBC.

Those organisations who were founding Consortium members are now “associates” and shall have the opportunity to nominate a Board director from their number.

The following table considers the constituency of the Board rather than individuals, but where there is a read across to current Board members their name has been included in the final column. The Articles have been amended to represent this structure.

Table 51: Anticipated Board composition

	Board position / nominee	Tenure of position (if applicable)	Current Member
1	Independent Chair	3-year term, open to renew for second term only.	Jim Smith
2	CEO	Duration of employment	Calum MacPherson

3	Highland Council	Nominated by Council	Malcolm MacLeod
4	Port of Inverness	Nominated by Port of Inverness	Sinclair Browne
5	Port of Cromarty Firth	Nominated by Port of Cromarty Firth	Alex Campbell
6	Global Energy Group	Nominated by Global Energy Group	Roy MacGregor
7	Port of Ardersier	Nominated by Haventus	Lewis Gillies
8	UHI , Academia	Nominated by University of Highlands & Islands	Roger Sendall
9	HIE	Nominated by HIE (3-Year term)	Donald Macrae
10	Associate's representative	Nominated by associates not already on the Board (3-year term)	~
11	Independent member	Independent representative – openly advertised (3-year term)	~
12	Independent member	Nominated by the Board	~

Notes:

1. The Board composition will be encapsulated within the Memorandum & Articles.
2. Nominees will be sought who bring improved diversity to Board and provide the requisite mix of skills and experience required to meet Board functions.
3. Nominations from the associates will be proposed by non-Board associates but confirmed by a majority vote of existing Board members.
4. Board membership may extend beyond 12 should another major port operator become established in a tax site. This would require a special resolution of the Board.
5. Board posts are non-remunerated, except for the Chair.
6. The current Chair was initially appointed on an interim basis for one year starting on 1st April 2023, but this was extended a further 2 years in March 2024.
7. Directors are capable of being removed for misconduct etc., although where applicable the nominating partner organisation will be permitted to propose a suitable replacement.
8. Ports can change their representation subject to Chair approval, but it is assumed the representative will remain for at least two years and will hold a director/senior position with their respective organisation.
9. It's proposed that a quorum of at least 5 directors is required to pass binding resolutions.
10. A Deputy Chairman is to be appointed in event of Chair's absence or conflict of interest.

To date all Directors have a letter of engagement. Going forward it is proposed a "Director Service Agreement" be put in place reflecting the ICFGF governance practices and Directors' term as proposed above.

Sub-groups

It is recognised that the ICFGF Ltd business is small, and it is not proposed Board members are remunerated, aside from the Chair. It is proposed therefore to minimise the number of sub-groups to the following:

1. **Audit, Appointment & Remuneration sub-group.** To be formed by the Board as appropriate.
2. **PowerHouse Advisory Panel.** This Advisory panel will support the ongoing activity of the PowerHouse and the use / allocation of the Skills Fund. The main ICFGFP Board will determine the guidance under which such funds are distributed, and if required any specific award decisions will be deferred to the main Board (see Authority levels below). It is proposed there be commonality of members through the CEO.

Frequency of Board meeting

ICFGF Ltd Board meetings currently occur monthly. It is proposed this will continue through the establishment phase until FBC is achieved. Once the Setup Phase is complete, tax and custom sites designated and full staff compliment in place, then consideration will be given to Board meetings occurring bi-monthly.

Conflicts of interest & impartiality

As the ICFGFP Board is responsible for the effective use of public funds, and the funds of founding consortium members and levy paying landholders, it is important that transparency and accountability are integral to the operation of the Board.

A register of interests is declared by all Directors and interests noted in all Board minutes. If a matter that is considered by the Board is one where a member of the Board, either directly or indirectly, has a personal interest, save as otherwise approved by the Board in accordance with the Articles, that member shall not be permitted to participate in the discussion and vote related to that matter.

It is proposed that when the Board is expanded all Directors be appointed under a Director Services Agreement that makes clear their fiduciary responsibilities on the Board of ICFGFP Ltd. It is however recognised that many on the Board members hold senior roles within member organisations, and as such there may be a perception that external commercial interests may influence certain decisions. In order to protect Board Directors from such a perceived conflict of interest, it is proposed that when appropriate the Chair will ask Directors associated with specific port facilities, landholdings or commercial interests to recuse themselves from proceedings. The proposed Board structure would mean a functioning quorum (five Directors), including Chair and CEO, are still available to deliberate on the matter arising.

Broader consultation

The expanded Board will facilitate a genuine public-private partnership within the region, with the shared ambition to deliver the Green Freeport objectives through the policy levers and functions available to it.

The composition of the Board is intended to represent the wider interests of the region, but it is proposed that the ICFGF and partners conduct consultative exercises which will in turn inform decision making within the Board. The constituency and regularity of meetings these consultative groups will not be predetermined as they will need to flexible depending on emerging opportunities and challenges. It is however proposed this should occur at least once per annum. The consultative groups will be as follow:

Table 52: Consultative groups

1	PowerHouse Advisory Panel & Working Group	There some 60 members on the working group, and four core members of the Advisory Board. See note below regarding PowerHouse governance.
2	Key Agency Group and enabling partners	Statutory agencies involved in the planning process, and those with influence in housing, transport, utilities, education, environment. This Key Agencies group is being support by Scottish Enterprise on behalf of both ICFGF and Forth Green Freeport.
3	Communities with specific interests	Regular community engagement will be undertaken alongside that normally undertaken by the associates. This includes engagement with Highland Councillors in targeted wards. The first quarterly community newsletter has already been issued to community councils in the area.
4	Workforce Development Employability & education	Working with those engaged in educations and employment services, including those in disadvantaged groups. Student representatives, worker and sectoral representative groups.
5	Connected industries	Engagement with business associated in delivery of essential infrastructure such as house builders, land agents, building contractors, civil engineers, hauliers, accommodation providers etc.

Such engagement events will be coordinated by the staff within ICFGF Ltd, working closely with associate partners where relevant (refer to section 5c for further detail on stakeholder engagement).

The ICFGF acknowledges the importance of engagement with employees / workers in the Green Freeport, and the Green Freeport Fair Work Charter (refer to section 1ci8) is designed to ensure a voice for workers within participating businesses is available. At their request ICFGF have met Unite the Union and propose to openly engage with future such requests.

Accountable Body

The Highland Council fulfils the role of Accountable Body for ICFGF. The Accountable Body is accountable to Government for the expenditure and management of centrally funded public money – including capacity funding, seed capital investments and net retained NDR.

The Company's governance arrangements ensure that there is a decision-making structure which preserves the Accountable Body's ability to be meaningfully accountable for the spending of public money. Acting as Accountable Body, the role of the Highland Council will be to:

1. Receive funding on behalf of the Company from the Scottish and UK Government.
2. Ensure that such funding is used appropriately in accordance with the law, good financial management and any applicable grant conditions.
3. Establish and maintain financial systems to account for all public funding received and disbursed on behalf of the Company.
4. Ensure that all required information on expenditure, activities and outcomes are properly recorded and reported.
5. Ensure that good governance is embedded in the decision-making of the Company.

The Accountable Body may also provide other services, such as executive support to the Board, to provide assurance on compliance with relevant laws and regulations. Further detail of the Accountable Body requirements is included in Annex H. As described above, the Accountable Body has a permanent seat on the ICFGF Board.

In addition to the Board members, the Board meetings are also attended by an observer of the Highland Council in respect of their role as Accountable Body. The Council's Section 95 (s95) Officer supports the operation of the Board in respect of governance and financial responsibilities associated with the allocation and proper use of public funds including the capacity, seed capital and ongoing NDR funding. The governance process for NDR sections is described in section 1ci3.

The s95 Officer does not possess a vote on Board but has the authority to make recommendations to the Board, and in the event of potential or actual breach of governance in terms unacceptable to the Accountable Body the s95 officer can notify the Accountable Body with a view to recovering and removing control of public funds from the ICFGFP Board.

In addition to a Highland Council nominated member, and the s95 Officer, the Highland Council are required to form a Highland Council Members Monitoring Group. The precise composition is up to Highland Council's leadership, but it's suggest it consist of up to ten Members (elected Councillors) appointed to reflect political balance and including the Chair and Vice Chair of Economy & Infrastructure Committee. This group will meet quarterly. In addition to updates from the s95 Officer, the Chief Executive Officer of ICFGFP Ltd will attend this meeting and report progress towards the Green Freeport's aims.

In respect of UK Government and Scottish Government colleagues it is proposed the CEO establish monthly update meetings to ensure close working and awareness of any emerging issues.

RACI table

Oct-24 Inverness & Cromarty Firth Green Freeport		Roles												
DEFINITIONS		ICF Green Freeport Board	Accountable Body	ICF Green Freeport CEO	ICF Green Freeport Sub-Groups	Delegated Working Group	The Powerhouse advisory group	PowerHouse Manager	Investment & Development Manager	Compliance & Monitoring Manager	Administrator	Office Manager	Graduate Placement	Tax site landowners / leaseholders
R	"Responsible" refers to the team member who carries out the work to complete a task. Every task must have at least one Responsible individual.													
A	"Accountable" refers to the person who oversees the task, delegates work, and gives final approval before the task or deliverable is considered complete. In some cases, the Responsible person may also be Accountable.													
C	"Consulted" involves team members who provide input or feedback based on their expertise or how the deliverable will impact their future work. "													
I	"Informed" refers to those who need to be updated on the project's progress but are not directly involved in the task.													
Tax Site Delivery and Operation		C	C	C				C	R	I		I		R / A / R / A / I
Customs Site Delivery and Operation		C		C				C	C	I				R / A / R / A / I
Innovation Strategy		A		R	R	C	C	R						C
Innovation Delivery		C		A	A	C	I	R		I				R / R / I
Trade and Investment Strategy		A	C	R	R	C			R					C / C / C
Trade and Investment Marketing and Promotion		C		R	A	C			R	I				R / I
Skills Strategy		A	C	R	R	C	C	R						C
Skills Delivery		C	R	R	A	C	I	R		I				R / R / I
Net Zero Strategy		A		R	R	C		C						C
Net Zero Delivery		C	C	C	A	C		C		I				R / R / I
Regeneration		C	C	C	C									R / A
Planning		I	C	R / A	I			C		I	C	C	C	R / C / C
Retained Non-Domestic Rates Investment Strategy		A	A	R	C	I		C						I
Retained Non-Domestic Rates Investment Delivery		I	A	R	C	I		C		I				I
Alignment with Wider Initiatives		A	C	R	I			R						I
Stakeholder Engagement		A	I	R	I			C						C
Compliance		A	I	R	I				R					I
Risk Management		A	I	R	I				R					C / C
M&E and Reporting		A	A	R	C	C	C	R		R	I	I	I	C / C

Authority levels – spend and contractual levels

It is proposed that the following authority limits be set as described in the table below. These limits can only be amended with the agreement of the Board.

Table 53: Proposed spending authority limits

Description	£2,000 & under	£2,001 - £10,000	£10,001 and above
Monthly payment run: Specifically Rent, utilities, HR, PR, IT, Legal & Accounting monthly contracts.	CEO	CEO	CEO & Chair (or one other Board member if delegated by Chair)
Monthly Salary, PAYE pay run	~	~	Approval by CEO, Chair, + one Board member
Office expenses, leases, equipment, advertising	CEO (max £2k per month cumulative)	CEO + Chairman (max £25k p/a cumulative)	Board
Authorisation to enter binding contracts.	CEO (max £10k p/a cumulative.)	CEO + Chairman (£10k+ = competitive procurement required)	Board
Sponsorship / Donations	CEO	CEO & Chair	Board
Award of Funding via NIC/ NDR funds	£5,000 & under	£5,001 - £20,000	£20,001 and above
NDR recommendation to be formed in agreement with Highland Council officers / S95 officer.	CEO	CEO / Chair	Board

Expenses (monthly)	(Note 1)	Under £1,000	£1,001 and above
Staff		CEO	CEO & Chair
CEO		Chair	Chair + 1 Board Member
Chair / Directors		CEO & Board Member (not Chair)	Board

Note 1 – Fuel expenses paid at HMRC recommended rates.

Disbursement of funds – NIC & NDR funds

The authority limits on release of funds from the Skills & Innovation Fund is detailed above. In awarding such funding the principles laid out in HM Treasury Green Book will be adhered to. The PowerHouse manager will be required to write a recommendation and undertake due diligence ensuring recipients demonstrates need and appropriate use of funds. Any release of funding will be accompanied by a contract requiring evidence of use for the intended purpose.

As a means of delivering longer-term and enduring outcomes for the Highland economy and communities, the local retention of incremental NDR generated on Green Freeport tax sites will be one of the most valuable elements of the Green Freeports package. Such a revenue stream will provide a significant opportunity to facilitate further investment in skills, infrastructure, decarbonisation initiatives and innovation, especially if we are able to 'join up' the funding with other sources – public and private.

ICFGF Ltd and the Accountable Body have agreed a governance approach as to how such awards will be appraised and issued. This process, which is outlined in Annex H, will be supported by the Board and s95 officer, but a fundamental principle of the net retained NDR fund is that it is used towards the aims of the Green Freeport and the continued operation of the Company. Further detail is provided in 1ci3.

In addition to its role as Accountable Body and in recognition of the key role it may play in delivering some of the NDR funded infrastructure, it is proposed the Highland Council be a key consultee in the formation of the NDR Investment Plan by the Green Freeport Company. This process will seek views from elected members and senior leadership to identify opportunities and challenges in delivering the aims of the Green Freeport, with the format and process for this input being determined by the Highland Council.

The Highland Council will also be required to endorse the NDR Investment Plan in its role as Accountable Body in terms of governance and alignment with the stated aims of the Green Freeport. Following this process the Green Freeport Company Board will then approve the plan and share with the Scottish and UK Governments.

The Green Freeport Company will review the Green Freeport NDR Investment Plan at a minimum every three years, but it's proposed this be more frequently, e.g. every two years, if the economic and emerging inward investment opportunities merit earlier review. The above proposed consultation with the Highland Council will occur each time the Investment Plan is reviewed.

In appraising which projects should receive the net retained NDR funding the following principles will be applied in line with Green Book principles:

Additionality	can the applicant demonstrate need?
Value for Money	has the project been properly costed and best value sought?
Displacement	will use of funds result in loss of economic activity elsewhere?
Leverage	can the award leverage funds from other sources?
Viability	is the proposal likely to achieve the intended outcomes?

It is proposed that officials within Highland Council and ICFGF investigate, appraise and present investment propositions on the following basis;

- To the Board to ensure value for money and alignment to the aims of the Freeport.

- To the Accountable Body to ensure due process and correct governance has been applied.

Annex H provides further detail on the Accountable Body governance requirements.

Tax site management and delivery

A key function of the Green Freeport's governance arrangements is to support the delivery of development within our tax sites that is in accordance with the Company's vision and objectives.

The Company's primary tool for achieving this is the use of Tax Site Delivery Agreements, which the Company has formed with each Tax Site landowner. The purpose of these agreements is to:

- provide landowners, operators, end-users and investors with incentives and structures **to deliver additional net growth and other outcomes in return for the tax benefits on offer**, and
- give the UK and Scottish Governments confidence that a robust strategy is in place to **ensure that public investment and support will realise the intended economic and social potential of the Green Freeport offer** and is not misdirected.

Tax Site Delivery Agreements are the core mechanism for ensuring landowners and participants meet their obligations such as securing contributions by tax site employers to the Skills & Innovation Fund NIC equivalent payments to the Company, pay the required levy per hectare, and share sufficient clarity on outputs, outcomes and timings for development to enable the Green Freeport to report to government. This will be a key responsibility of the Monitoring and Compliance Officer with the ICFGF team.

Delegated Working Group

During the Setup Phase a core group of Consortium members (now associates) provided dedicated resource to form a working group with responsibility for drafting the Outline and Full Business Cases. This model was used to good effect in delivering the winning bid and proved efficiency through dedicated empowered resource meet the necessary timelines and requirements from Governments.

It is proposed this Group remain in operation until the FBC process is completed at which point the Delegated Working Group members will fall within the membership and consultative group structures described above. This Working Group remains the core interface with specialist advisors, with progress being reported to the Board on monthly basis.

Following completion of the OBC and FBC process it is anticipated this Working Group will be discontinued, with regular engagement being maintained through the associates meeting as described below.

ICF Green Freeport Associates Group

The Opportunity Cromarty Firth Consortium was the founding group who have in part resourced the formation of the Freeport bid and OBC. As described above this grouping is now described as the ICF Green Freeport Associates Group, and it is proposed they remain a core consultative group post FBC conclusion.

The current membership is as follows:

Table 54: Associate Group

Associates	Registered office address
Aurora Energy Services Limited	17v House, Straloch, Newmachar, Aberdeenshire, United Kingdom, AB21 0RW
Aventus Energy Ltd	3 Riverside, Evanton, Dingwall, Highland, Scotland, IV16 9UG
Buchan Offshore Wind Limited	Suite 3b, 58 Waterloo Street, Glasgow, United Kingdom, G2 7DA
Caledonia (Ocean Winds)	Shepherd and Wedderburn LLP, Octagon Point, 5 Cheapside, London EC2V 6AA
Fred. Olsen Windcarrier Limited	61 Alexandra Road, Lowestoft, Suffolk, NR32 1PL

Global Energy (Holdings) Limited / Port of Nigg	13 Henderson Road, Inverness, Inverness-Shire, IV1 1SP
Haventus Group Holdings Limited	Level 4 Dashwood House, 69 Old Broad Street, London, United Kingdom, EC2M 1QS
Highland Council	Council Headquarters, Glenurquhart Road, Inverness, Scotland, United Kingdom, IV3 5NX
Highland Deephaven Limited	Administration Building, Highland Deephaven Ind Estate, Evanton, Dingwall, Ross-Shire, IV16 9XP
Highlands & Islands Enterprise	An Lochran, 10 Inverness Campus, Inverness, United Kingdom, IV1 1BA
Inverness Airport Business Park Limited	C/O Highlands & Islands Airports, Limited, Head Office, Inverness Airport, Inverness, IV2 7JB
Inverness Harbour Trust	Harbour Office, Longman Drive, Inverness, IV1 1SU
Nightingale Trusts	25 West Square, London SE11 4SP
NorthEast Nutrition Scotland Limited	C/O Brodies Llp, 110 Queen Street, Glasgow, United Kingdom, G1 3BX
Orsted (Stromar)	2nd Floor 2 Lochrin Square, 96 Fountainbridge, Edinburgh, Scotland, EH3 9QA
Offshore Wind Power Limited	Clava House, Cradlehall Business Park, Inverness IV2 5GH
Port of Cromarty Firth Limited	Cromarty Firth Port Authority, Port Office, Shore Road, Invergordon, Ross-Shire, IV18 0HD
Pitcalzean Farm	Wester Rarichie Farm, Fearn, Tain, Ross-shire, IV20 1XH
PSG Marine & Logistics Limited	Office Units 20-21 Invergordon Service Base, Shore Road, Invergordon, Scotland, IV18 0EX
Renantis UK Limited	Third Floor, 10 Lower Grosvenor Place, London, England, SW1W 0EN
Scottish Power Limited	320 St. Vincent Street, Glasgow, Scotland, G2 5AD
Serimax Limited	16 Airfield Road, Evanton, Ross-Shire, IV16 9XJ
Shell PLC	Shell PLC – Shell Centre, London, SE1 7NA
SSE PLC	Inveralmond House, 200 Dunkeld Road, Perth, Perthshire, PH1 3AQ
Storegga Limited	2 nd Floor 1-2 Hatfields, London, United Kingdom, SE1 9PG
Thistle Wind Partners Limited	The Capital Building, 12-13 St Andrew Square, Edinburgh, EH2 2AF
University of the Highlands & Islands	UHI House Old Perth Road, Raigmore, Inverness, Scotland, IV2 3JH

Regular engagement with the wider associates will be a core task of the CEO, as this grouping provides a mechanism for engagement with key players in the wider energy sector e.g. supply chain to offshore developers, green hydrogen developers

As explained above, Associates will be given the opportunity to nominate a director to the ICFGG Board.

The PowerHouse

The PowerHouse has been established within the Company to fulfil the Green Freeport's skills and innovation functions. The PowerHouse Manager is a member of the core ICFGFP team and governance arrangements, but activity and financial activity will be monitored as a separate division to support evaluation and financial control. A summary of the PowerHouse's aims and activity are described in sections 1ci8, and the diagram below summarises the approach to the distinct but connected areas of innovation and skills development.

The PowerHouse Advisory Panel will advise on the development and delivery of the Skills and Innovation Strategies, managing the skills fund, and advising the ICFGF Board on skills and innovation-related investments.

It is proposed the advisory panel be coordinated by the PowerHouse manager and linked to the main ICFGF Board through common membership of the CEO.

The Advisory Panel includes Skills Development Scotland, Highland Council, DWP, University of the Highlands & Islands, private sector training companies, local training initiatives such as Developing the Young Workforce, and the local enterprise agency Highlands & Islands Enterprise.

The PowerHouse will continue to be the focal point for skills and innovation, but the overall workforce development initiative will be driven by a number of parties. This national scale initiative will be branded separately, and whilst we continue to test the proposed brands with our target market a front runner is Next Energy Workforce (NEW).

We will also regularly seek input directly from port operators, offshore wind developers, and inward investors to ensure alignment between employer needs and the output of the PowerHouse.

The diagram below summarises the PowerHouse's aim and core activities.

Figure 12: The PowerHouse

THE POWERHOUSE

VISION & PURPOSE

The founding purpose is to support the Inverness and Cromarty Firth Green Freeport to become a global centre of excellence in offshore renewables and green hydrogen. The Powerhouse will help address the training and workforce requirements, and drive innovation activity within the Freeport region.

Resources

Power House Manager
Administrator (yr2)
Grad Placement (Yr3)
funded by
NIC retention fund
Core ICFGFP funding
Project/Research Grants
Private Sector funding

Governance

Main Board
Chair, CEO plus, non execs
accountable body rep
Advisory Panel
CEO, Highland Council, SDS,
UHI, Industry reps
Sub-Groups
Workforce campaign

Contributors

Consultative Group
Training Providers
Highland Council
Industry
Colleges / Universities
Workforce
Fundors
UK Gov / Scot Gov

ACTIVITY

Outcomes will predominantly be achieved through signposting, coordination of existing services, working with suppliers, partners and businesses to secure the best support possible.

WorkForce Dev / Skills

Young people engagement
Entry level sector specific
recruitment programmes
Pre-employment support
Developing pathways to
Skilled Green Jobs
Talent attraction
Commercial Training
Grow your Own
(apprentices & grads)

Skills /Innovation

STEM Outreach

FE & HE Enhanced offering

Scholarships / Bursaries

Innovation

Create Innovation Network
Develop and host events
re innovation exchange
Hub for Innovation services
Support joint bids where
coordination required
Forming academic partnerships
Cross fertilisation of GFP activity
Identifying and addressing
gaps in support

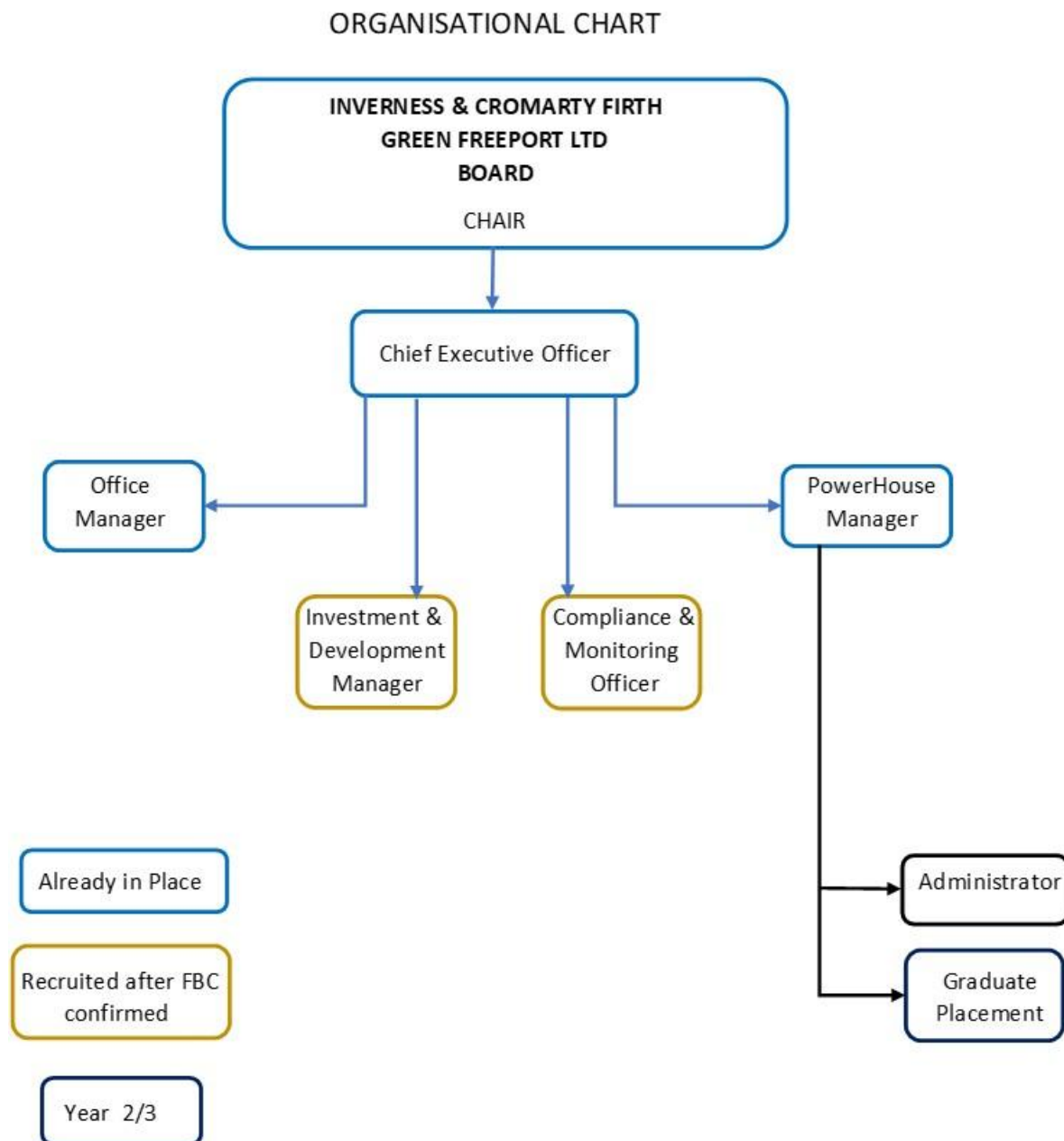
NIC SKILLS & INNOVATION FUND

Administration and utilisation of the fund received from retained NIC contributions.
This will include support for apprenticeships, traineeships, and where appropriate
awarding funding support to business and organisations.

5b. Team structure

The figure below summarises the proposed team structure for ICFGF Ltd.

Figure 13: Team structure



We will seek to keep the team compact in order to minimise overheads and to leave as much resource as possible to pursue the wider Green Freeport aims. If necessary, we will seek to complement our capacity with ICFGF Ltd associate support. We propose five full time members of staff in the short term (in addition to the Chair). Depending on resource we may seek a further two staff (an administrator and graduate placement) within the PowerHouse in year 2 or 3. In future years, if the need arises and the necessary funds are in place, additional resources may be brought in.

The core five roles are as follows:

Table 55: ICFGF Ltd team roles

Role	Responsibilities	Skills
Chief Executive Officer (1 x FTE) (In place)	To lead the team and be accountable to the Board for the Company's activities. To secure Green Freeport status and drive investment and job creation.	Experience in senior management, stakeholder engagement, and the governance around funding.
PowerHouse Manager (1 x FTE) (In place)	Manager of the Skills & Innovation Dept of the Green Freeport. Skills – The role will primarily focus on identifying the need of Freeport businesses and coordinating with existing service providers and or helping to fill gaps in skills training. Innovation – working with academic & research projects.	Experience in innovation and/or skills development. A track record of building networks and excellent communication. Ability to build consultative groups and manage stakeholders.
Office Manager, Exec Support (1 x FTE) (In place)	The role will involve running the Inverness office, supporting the CEO, supporting Board, and Gov reporting requirements. Ensure effective document management for the Company	Experience of running an office. Comfortable with online filing and management systems. Experience of working with senior Boards.
Compliance and Monitoring Manager (1 x FTE) (Appointed post FBC)	Responsibility for maintaining a record of all businesses operating or applying to operate within the Tax and Customs Sites, ensuring authorisations remain in place, reporting to Government, risk management and audit. Accountable directly to the CEO	Experience in data management. Strong IT and document management skills. Experience in forming reports for senior level review. Good at engaging with partners.
Investment & Development Manager (1 x FTE) (Appointed post FBC)	Supporting private investment into the Green Freeport, business development, supporting investors, stakeholder management and communications. Work alongside SDI, HIE and the Chamber of Commerce, who have existing inward investment functions. Support general communication activity.	Experience of inward investment or other investment attraction activity. Experience development / marketing professional with strong communication skills. Ability to work well with partners.

The CEO was recruited via an open recruitment process managed by a specialist recruitment agency with experience recruiting similar roles for English Freeports. Their advert and search process included national advertising and consideration regarding equalities, to obtain a diverse candidate profile. A sub-committee of three directors and the independent Chair was put into place for this recruitment process.

Given the size of the entity, back-office functions such as finance, governance support, payroll, HR and administration have been outsourced. This approach provides more control of overheads and provides value for money for a small business.

Whilst all professional services partners have been procured through a competitive process, we have sought to source contracts locally to ensure the underlying aim of levelling up the regional economy is supported.

Our approach to recruitment is summarised in Annex H.

5c. Stakeholder management and communications

The ICFGF Communications and Engagement working group was established in February 2023 and has been meeting monthly (or more frequently when required). It is comprised of public and private sector partners. Now that the company is more established a communications firm has been appointed (Morrison Media) who have taken on the day-to-day activity.

The broader working group continues to contribute albeit the comms group now meets bi-monthly. A Terms of Reference has been put in place to ensure roles are understood, obligations are clear and everyone has common aims. The inclusion of partners in this working group in itself, helps to support regular and effective communications.

Table 56: Communications and Engagement Working Group

Name	Organisation
Elaine Fee	Morrison Media
Kirsteen Adams	ICFGF
Stuart MacDonald-Butler	Global Energy Group
Alex Johnson	Port of Cromarty Firth
Jane Cumming	Port of Inverness
Mary Bowman	Highland Deephaven
Jonathan Milne	Haventus
Ruth Rountree Provan	Highland Council

Engagement with communities is a core function of this Group, and this requirement will remain key over the coming months and years. Through local community information events, online updates, press coverage, joint industry engagements and engagement with local elected members we will keep communities updated as to progress and listen to ideas and concerns they wish to communicate. We propose to issue a quarterly community update newsletter the first of which has already been issued. Following advice taken from the Council this is distributed via the Council's community organisation database, and via local Councillors to share directly with their community councils.

There is regular engagement with our Port partners and the communities in their immediate geography, and where appropriate we will participate. Working with the Highland Council we will also explore a community stakeholder group where gaps in community engagement exists.

Supported by Green Freeport staff the communications teams across the region will cooperate to deliver the objectives outlined below.

Objectives

The objectives of ICFGF's initial stakeholder engagement and communication strategy are as follows:

- To identify key partners and a wide range of stakeholders and assess their requirements for information.
- To plan and deliver stakeholder engagement sessions/webinars etc to ensure a two-way communication process.
- To continue to develop/design key messages and branding for ICFGF.
- To identify project milestones and coordinate publicity and engagement activity.

- To agree and work within a communications and media protocol to coordinate publicity and ensure correct branding and reputation management.
- To develop communication materials e.g. pop-up banners, including brand identity, briefing documents, website information etc.
- To use existing web and social media platforms and develop a strategy for managing content and signposting. To agree hashtags and protocols for posting.
- To promote opportunities within the Green Freeport and the benefits for the whole region.
- To ensure ICFGF/Highland is represented at national and regional industry events/conferences.
- To monitor and report on any stakeholder engagement specific metrics as required in the Government's M&E framework.

ICFGF will continue to take a proactive approach to stakeholder engagement and communications, as we did throughout the bid process. The Communications and Engagement Group was nominated for three national CIPR awards for the bid campaign. Many of our stakeholders are partners and are therefore actively engaged in the Green Freeport process with us.

Stakeholder map



Please note that the map is a list and each box is not necessarily in priority order. Indeed this prioritisation will constantly evolve and will be reviewed as part of our regular communication plan updated.

The following table provides more detail who we are already engaging with and the regularity of that engagement. Where the engagement activity is now already underway or planned this is identified.

It is proposed this engagement plan be shared during Board meetings and Members Monitoring Group within the Highland Council.

Table 57: Engagement Plan

Entity / Level	Communication Activity	Occurrence over first 2 years
Political		

Entity / Level	Communication Activity	Occurrence over first 2 years
Sec of State, Cab Sec	Parliamentary briefings, parliamentary receptions. Scot Gov – further event planned Sept 24 UK Gov – Parliamentary Reception – July 24	Regular briefing. Annual Receptions
MP, MSPs	Parliamentary briefing events, roundtable discussions and drop-ins with Highland representatives Scottish Government, these are coordinated with developers, Prosper, etc. UK Gov, these are being set up via London-based agency to promote UK freeports to Cabinet Shadow Cabinet.	Quarterly Annually Pre & Post General Election
Councillors	Post-OBC/FBC briefing (in-person/via Teams) Member's monitoring Panel Copy of Community Council communication	Monthly Quarterly Quarterly
Community Councils Community Groups	Online Webinars Community newsletter (1 edition already issued) Regular face to face meetings via Ports	Post FBC Quarterly Biannually
Government & Agencies		
UK Gov	Regular meeting with DHLUC, DBT, HMRC, Office for Investment and Scotland Office. Formal reporting mechanisms Annual Progress Report process	Monthly online Quarterly Annual
Scottish Gov	Regular Green Freeport team calls Observer status at Board meetings Green Freeport Director – regular calls	Monthly Bi-Monthly Monthly
Highland & Island Enterprise	Meeting with Inward Investment & Trade Team, SDI HIE Freeport Director HIE Rep present on ICFGF Board	Monthly Fortnightly Bi-monthly
Highland Council Accountable Body	Quarterly Member's Monitoring Group, Working Group / NDR working Group Nominated Board member – ICFGF Board Chief Exec's meeting	Quarterly Weekly Bi-monthly Monthly
Key Agencies Group	Facilitated by Scottish Enterprise	TBC
Skills Dev Scotland	Meeting with Regional Manager / Careers staff	Monthly
DWP	Meeting with Regional Manager / team	Manager
Community		
Within Freeport area	Community Newsletter – issued via Elected members (available on www.greenfreeport.scot). Regular social media posts /website update Video content re freeport myth-busting and in-depth interview with CEO – now on website Attendance at community interest groups	Quarterly Weekly Biannual Regular

Entity / Level	Communication Activity	Occurrence over first 2 years
	Post OBC webinar Planning & Engagement Roadshow – via Council Place-based planning consultation – supporting Highland Council Attendance at Community Interest Group	Complete Various Various As required
Underrepresented Groups	Consider groups not able or not used to making their voice hear. Engage with agencies, partner and professionals engaged with those groups who can act as intermediaries. e.g. long term unemployed, socially excluded, disabilities.	Biannual
Local Media	Extensive regular communication through print, radio, online and TV media.	Weekly
Port open days	Regular community engagement days, family days held by Port of Cromarty Firth, Port of Nigg, Port of Inverness Green Freeport contribute	Circa 6 per annum
Biodiversity planning	Engagement proposed with Nature Scot to identify biodiversity hubs – community engagement sought.	Post FBC
Associate Group (formerly Consortium)		
Board	The Board meets bi-monthly and is kept fully informed of comms activity. The Board incorporates infrastructure stakeholders, academia, and public sector partners.	Bi-monthly
Landowners	A dedicated landholder will be established. This is expected to grow as land is leased / sold by the principal landowners.	Quarterly
Associates	Associate meetings will be maintained. These have been monthly but will move to bimonthly. We are working with the associate to identify blog and case study content to create a series of associate-led communications for the ICFGF website and social media channels.	Bi-monthly
Market & Industry		
Investors	ICFGF have been contact with DBT and SDI about the possibility of ICFGF attendance in some capacity at the following events: Global Offshore Wind 24 (Manchester), Floating Offshore Wind 24 (Aberdeen), World Hydrogen Summit (Rotterdam). This would be either via the Scotland Pavilion or taking a standalone pitch. ICFGF is also discussing the potential for an APAC delegation to visit the Highlands and coordinating this through DBT. ICFGF is speaking with HIE/ SDI re UAE relationships and the planning of a 1.5-day visit from sovereign wealth funds interested in energy transition investments. SDI /DBT have developed online content including 3D interactive maps. This will support future Trade missions.	Annually Recurring Available now

Entity / Level	Communication Activity	Occurrence over first 2 years
Developers	Articles in specialist media e.g. sector based / investor based e.g. ReNews and Energy Voice. Presence at specific investor-led events e.g. UK-REiiF. Attendance at Floating Offshore Wind events Co-hosting events with offshore developers e.g. West of Orkney – Scotsman Energy Conference, June	Monthly Annually Annually Recurring
Supply Chain	Supply Chain events (Easter Ross & Inverness) 2 held already. Combined attendance of 230. Further events to be held in partnership with inward investors, offshore developers. Supply Chain area being developed on website and directed to “DeepWind” HIE supply chain initiative.	Biannual and event specific. Recurring Recurring
Security		
Border Agencies	Teams engagement meeting – HMRC & Border Force	Monthly
Annual Freeport Security Audit (AFSA)	Production of AFSA initial risk assessment with following partners; ICF Green Freeport (chair and convenor) Border Force - Iain Kerr - Border Force Senior Officer Police Scotland - Chief Inspector Judy Hill Highland Council – Environmental Service – Alan Yates NHS Highland - Head of Resilience Kate Cochrane Fire Service - Area Commander Michael Humphreys P of CF – trust port with obligations re Cromarty Firth P of Inv – trust port with obligations re Inner Moray Firth P of Nigg – our sole customs site operator HMRC – Susan Kerr, Freeport Engagement, HMRC	Post FBC then refreshed biannually. Annual review to be submitted.
ICGGF Board	Regular review or Risk Register including AFSA	Biannual
Custom Site Operator(s)	Activity and security arrangement review in line with UK and Scot Gov reporting requirements.	Quarterly.
Workforce Development partners		
Workforce Delivery campaign. Working title; NEXT ENERGY WORKFORCE (NEW)	Regular engagement with; Local Employability Partnership (LEP), providing multiagency integration. ICGF participation Energy Skills Group, chaired by HIE, bringing together both national and local partners. SOWEC – Education Skills Working Group Workforce Delivery Group, - Core partners are Highland Council, SDS, University of Highland & Islands, local colleges, HIE, DWP, private trainers. Events and activity described in Skills section	Quarterly Quarterly Monthly
Union / Work Force	Staff will be regularly briefed on Green Freeport by their own employers via their own internal comms e.g. staff meetings, newsletters.	Recurring Quarterly

Entity / Level	Communication Activity	Occurrence over first 2 years
	Meeting with Unions area reps already held (Unite) and now regularised. Case studies and best practise – ICFGF to seek engagement with workers on strong case studies as to their experience working in the area and energy industry.	Biannual
Parents, teachers, career guidance	Highland Council providing strong lead on engagement with schools. Careers expo's and engagement direct with schools and teaching staff. Alignment with UHI's comms plans, and input to strategic planning.	Monthly Annual
Regional business community	Fortnightly social media posts, regular meeting through professional groups such as Chamber, FSB, and IOD. Hydrogen working group – chaired by ICFGF. Terms of reference under discussion. Alignment with activities of Prosper and Inverness Chamber of Commerce (joint business events planned with both)	Monthly Quarterly Recurring, at least monthly.
Media		
Local press	Monthly media releases Ad hoc TV interviews on local and national news channels Journalist site familiarisation tour planned post FBC. Video content shared with HN Media group in advance for exclusivity period to support their online content. Editorial / Advertorial content offered. Piece currently being written for Inverness Courier.	Weekly One off Monthly
Press & Comms plan	Bi-monthly comms planned along with partner media contacts.	Bimonthly
Specialist media	Engagement with Energy News, and ReNews. Financial Times piece being developed.	Recurring
Innovation		
Academia	The Innovation strategy at Annex J details our activity in respect of engagement with partners, but University of Highland & Islands, who represent the main deliverer of HE and FE in the region, are on the ICFGF Board. We are also in active discussion with National Manufacturing Advisory Service, Offshore Catapult and other regarding potential joint initiatives.	Bi-monthly Recurring
Industry	The PowerHouse has been created to act a focal point for engagement between industry and academia in respect of future innovation.	Recurring (weekly)
Gov / Agencies	Annex J, section 1.3 provides a detailed list of bodies within the innovation ecosystem that the Freeport are already engaging with, and those planned for the future.	Monthly.

Entity / Level	Communication Activity	Occurrence over first 2 years
Community participation	As described in the table below, we are actively engaged in potentially innovative and new community participation models. We are also tracking potential initiatives being developed by Scottish Government.	TBC

A more detailed press and comms activity calendar is maintained by our communications team in liaison with key delivery partners, but these can change from month depending on emerging events, announcements.

Innovative community shared ownership / benefit model

In collaboration with, and including leveraging the expertise of our consortium members [REDACTED] we are exploring a pilot community shared ownership/benefit model.

[REDACTED]

[REDACTED]

It is not the intention that this will be the sole focus of community benefit work associated with ICFGF. It will be important to ensure the range of different communities within ICFGF can benefit from any proposal, and an inclusive approach will be essential. There is an opportunity for local priorities that have been identified and set out in Areas Partnership Place plans and Locality Plans to be taken into account. We are aware that community benefits from Scotland's renewable resource is a live political issue at a national and local level and we will work within that context.

5d. Building local expertise

The Opportunity Cromarty Firth consortium was established in March 2020. This group of regional organisations came together just as the country went into the first Covid 19 lockdown and it met via Teams almost every fortnight for three years. This led to a very strong sense of partnership and collaboration, and very effective delivery of the winning bid.

The consortium members are now either represented directly on the Board of ICFGF Ltd or are part of an associate group, recognising how the breadth of the group, including representation from public sector, private industry, supply chain companies and academia has broadened the capabilities of the initiative to date. This partnership approach has led to individual organisations seeing their own land and investment proposals through the lens of wider regional development and enabled them to buy into the longer-term sustainability and economic growth of the Highlands. This can only lead to stronger delivery of outputs that benefit the region in the long-term. The associate group will provide ongoing guidance, knowledge and capabilities, and, crucially, diversity of thought.

As described earlier, there will continue to be regularised engagement with the Associate group.

We have continued to work closely with our core advisory team within KPMG. This team were able to provide additional resource to working Group, and to share best practice from other Freeports across the UK.

Input from socio-economic consultants, Biggar Economics (and more recently Colin Warnock Associates), expert stakeholder and media relations consultants, access to key agencies and political lobbyists also enhanced this capacity building. The Delegated Working Group, consisting of seconded staff, worked directly alongside this outside expertise, contributing specific sector experience and local knowledge, which has been exchanged and built on.

The current team consists mainly of employees from across the Green Freeport who will continue to employ this retained knowledge within their own businesses and within the Green Freeport through their continued involvement in working groups such as those outlined above.

Working groups were established during the bid phase on green hydrogen and the PowerHouse; to directly drive progress and inward investment in skills, innovation, trade & investment and decarbonisation. These working groups have evolved over the last two years and will continue to operate, facilitated by the PowerHouse Manager to ensure this accrued knowledge is retained and expanded.

The Chairman and board of directors have a vast amount of industrial and public sector experience between them, and continue to support the Chief Executive on a regular basis. This includes experience with entrepreneurship and business (Alex Campbell and Roy MacGregor), public sector and accountable body (Malcolm Macleod), land and property (Sinclair Browne), the offshore wind industry (Jim Smith) and governance (Roger Sendall & Donald MacRae).

The Green Freeport's new chief executive, Calum MacPherson, brings significant experience from both the private sector fulfilled the role as Managing Director for Robertson Capital Projects, and regional director for Highlands and Islands Enterprise. He has a law degree and tax qualifications having worked in private practise supporting the energy industry. This high level, experienced individual has been funded directly through the Government's capacity building (RDEL) funding and has brought skills, capacity and capabilities to the Green Freeport for the long term. His role as SRO enables him to learn from other Freeports across the country, through the SRO Forums and other networks (FREN, FIN etc.).

ICFGF has now appointed a PowerHouse Manager and an Office Manager, who will add to this capability. In time, two further positions will be filled to deliver inward investment/business development, and to support monitoring and compliance.

ICFGF has now appointed contractors and advisors to provide the necessary business functions. The Freeport staff headcount will remain small, and our financial model cannot justify full time posts in disciplines such as HR. The following table outlines how this expertise is being delivered now, and how this will be supported going forward. All professional services have been procured in line with the procurement process. The second part of the table identifies the strategic delivery function which will be addressed going forward.

Table 53: Professional services

Existing service & (provider)	Future requirement	Future Delivery mechanism	Transition date
Business Operations			
Executive function (ICFGF Office Manager)	Continued support for Board operation and CE	Office Manager	NA
Accounting (Johnston Carmichael)	Production of monthly and annual accounts, VAT returns, budget	Johnston Carmichael retained. CEO to do long term budgeting.	NA
Auditor (NA)	Full audit required.	Independent Auditor to be procured	Aug 24
Legal support (Harper Macleod)	Regular legal support, including Tax Site Delivery documentation.	Harper Macleod to be retained.	NA
Human Resources (HR Dept Ltd)	Broad HR services and recruitment	HR Dept Ltd to be retained.	NA
IT support (SfG digital)	Full IT support including equipment and Cyber Security	SfG to be retained	NA

Comms & Media (Morrison Media)	Comms & Media support, plus political engagement	To be re-procured in August. Consider scope of services required	Aug 24
Office Accom (The Green House)	Long term larger accommodation with dedicated meeting space	Five-year lease currently under negotiation.	Sept 24
Monitoring Reports (CEO, but just starting)	Detail monitoring, evaluation and quarterly reporting for Accountable Body, Scottish Gov, UK Gov.	Compliance and Monitoring Officer to be appointed.	July 24
Delivery of ICFGF aims			
Innovation (The Hub, UHI)	Coordination role between business and innovation ecosystem.	PowerHouse Manager, PowerHouse advisory panel (described above)	In place
Workforce Dev (Partnership)	Coordination and delivery role between multiple partners.	PowerHouse Manager, CEO, and working group.	In place
Strategic Bid Writing (KPMG Working Group)	Future bids for funding and grant applications.	Investment & Development Manager, CEO	July 24
Inward Investment (HIE, SDI, DBT, Office for Investment)	Delivery if inward investment strategy and representation of Freeport in marketplace.	Investment & Development Manager, CEO working closely with HIE, SDI, DBT	July 24
Trade (HIE, SDI)	Promote trade once products and service mature	Investment & Development Manager, CEO working closely with HIE, SDI, DBT	Ongoing
Economic input (Warnock Associates)	The level of economic input should diminish on completion of FBC. IF required then standalone contract.	Procured as and when required. Supported by Compliance & Monitoring Officer	July 24
Decarbonisation and Environmental Advice (Mott MacDonald, The Hub)	Carbon Management and Decarbonisation plan needing support. At least biannual review with Landowners.	We proposed to procure a 3-year framework with a suitable consultant to support ongoing assessment of performance and delivery of Decarb Plan.	Nov 24
Risk Management (Working Group, CEO)	Ongoing assessment of Risk and management of mitigation.	CEO and Board will oversee and manage this process, seeking specialist advice where required.	June 24
Security & Illicit Goods (under development)	As per Section 5g an advisory group will be convened to produce an annual security review.	Led by CEO and supported by Compliance officer. Specialist advice currently being sought from consultants.	June 24
Community Engagement (Comms Group and ICFGF staff)	Continued engagement with communities through information provision and dialogue.	Continued use of Comms & Media consultant, but increased support from landholders, ICF Staff & Board.	Ongoing

ICFGF has the advantage of learning the lessons from development of other Freeports which are some distance down the line. We will seek regular engagement and support from the Freeport teams in DLUHC and Scottish Gov in addition to speaking to our sister Freeports.

We will retain the significant documentation, advice and guidance material accumulated to date to ensure new and future staff have a strong library of reference material available.

The degree to which external advice can be procured will depend on income levels, which are to large degree dictated to by the ability of ICFGF to attract investment. We have however agreed our levy model and provision has been made within the future budget for continued specialist advisory services.

5e. Milestones

Key delivery milestones are shown in the table below. A project plan is also provided in Annex G. All dates are provisional and subject to change.

Table 58 - Milestones

Milestone	Planned start	Planned end	Interdependencies
Setup and approvals			
FBC approval	Sep 2024	Sep 2024	OBC approval (Feb 2024) and tax site designation (Apr 2024)
MOU signed with UK and Scottish Governments	Nov 2024	Nov 2024	Approval of FBC
Governance and resourcing			
Election of final Board Members	Jul 2024	Aug 2024	
Recruitment of remainder of permanent management team	Aug 2024	Dec 2024	
Development of Skills & Innovation Fund and NDR Investment frameworks	Oct 2024	Dec 2024	FBC approval
Development and approval of Net Zero Strategy, Skills Plan, Innovation Plan and Trade & Investment Strategy	Oct 2024	Dec 2024	
Seed capital investment			
Seed capital received from UK/Scottish government	2024/25	2028/29	Approval of FBC.
Seed capital project delivery	2024/25	2028/29	Seed capital FBCs approved by the Highland Council.
Stakeholder engagement and communications			
Ongoing activity of the ICFGF Communications and Engagement Working Group	Mid-2023	Ongoing	
Tax site development			
Cromarty Firth Tax Site			
Invergordon Service Base	2024	2032	Marine consenting process, progress of ScotWind licenses, consents and leases
Highland Deephaven	2024	2048	
Port of Nigg	2024	2048	
Pitcalzean	2024	2030	
Wakelyn & Dunskaith	2025	TBC	
Inverness Tax Site			
Port of Inverness	2024	2035	
Aurora Energy	2024	2034	
Longman Landfill Site	2024	2048	
Inverness Campus	2024	2037	
Ardersier Tax Site			
Port of Ardersier	2024	2028	Marine consenting process, progress of ScotWind licenses, consents and leases

The table above presents just the major milestones for the delivery of the different elements of the proposal. Detailed plans exist for each individual landholding within each tax site.

5f. Risk management

Introduction

The purpose of this document is to provide an overview of the Green Freeport Risk Management Process. The process will be owned by the Board of Directors and will establish how the Company manages risk.

The Company's strategy for managing risk will be to develop and embed a culture where risk management supports the delivery of Green Freeport outcomes.

This section details the objectives and process used to develop the Risk Register and how these risks will be identified, assessed, mitigated and managed.

Objectives

The Risk Management Process will support the following objectives:

- Help the Board determine the most significant risks for the Green Freeport.
- Help the Board make decisions and take action with a full understanding of the risks and uncertainties faced, together with mitigation and management strategies.
- Improve the probability of achieving the Company's stated objectives.
- Increase the Green Freeport's resilience by reducing the overall risk exposure
- Widen the understanding of significant risks across the Company and the Green Freeport consortium
- Ensure that risks are owned, managed and mitigated at the most appropriate level.
- Enable risks to be escalated, where appropriate.
- Inform decisions and actions on internal controls and governance.
- Support continuous improvement across all aspects of delivery of the Green Freeport outcomes.

Risk appetite

Informed risk taking will be key to delivering the Green Freeport and maximising the economic benefits for our area and our communities. Effective risk taking requires appropriate definition of the company's risk appetite - our tolerance for accepting or even embracing risk in certain situations. It is important that risk appetite is treated with flexibility and pragmatically according to the specific circumstances of each risk and situation as encountered.

Risk appetite levels are defined as follows:

Table 59 – Risk appetite levels

Appetite Classification	Definition
Averse	We want to avoid risk and uncertainty and would look to have controls in place to avoid exposure in this area
Minimise	Our preference is to minimise the potential for this activity to occur
Cautious	We are cautious and, have a preference for, limited uncertainty and low risk
Open	We are willing to undertake this activity but would look to fully explore the options and seek an appropriate balance between risk and reward
Hungry	We would look to be active in this area and seek to exploit opportunities to be more innovative noting the potential for higher rewards despite risks

The Company's risk appetite for major categories of risk is determined by the ICFGF Board and is described in the Table below:

Table 60 – ICFGF risk appetite

Risk Category	Supporting Statement	Commentary	Appetite Classification				
			Averse	Minimal	Cautious	Open	Hungry
Legal and regulatory	We will expect projects we support to be fully compliant with current applicable legislation and regulations.	Health and Safety is a key regulatory consideration: the Health and Safety of our employees, partners and communities is our highest priority	X				
Environmental	We will expect projects we support to be in full compliance with Environmental legislation and to have developed Net Zero ambitions	We recognise that the generational economic opportunity presented to our area is dependent on net zero goals - this carries an obligation on us to promote and support the highest levels of environmental performance	X				
Strategic and Commercial	We will be proactive in taking strategic decisions which may result in challenge where we have objectively assessed the benefits to outweigh the risks	Proactive risk taking will support our key objectives: -promoting regeneration and high-quality job creation -promoting decarbonisation and a just transition to a net zero economy -establishing hubs for global trade and investment -fostering an innovative environment					X

Risk Category	Supporting Statement	Commentary	Appetite Classification				
			Averse	Minimal	Cautious	Open	Hungry
Economic and financial	We will actively support higher risk financial decisions including investments where we have objectively and transparently assessed the benefits to outweigh the risks					X	
Organisational	We will actively ensure our organisation and governance supports effective delivery of the GFP's strategy, objective and benefits	We will aim to develop effective partnerships across the private and public sector to maximise our reach and impact				X	
Political	We will actively develop relationships with partners and stakeholders in national and local governments to advance the interests of our consortium and our communities					X	
Operational	We will be proactive in continuously improving our operational systems and support to ensure the best outcomes for our partners and our communities	We will aim to maximise our speed of response and optimise our systems - bureaucracy will be actively discouraged					X

Risk management process

A risk register for ICGFP was developed using the following process at a Risk Workshop held by a sub-group of consortium members:

Figure 15 – Risk process



Outline risk management process

Development of risk statements

Risk statements were developed using various sources including the original risk register developed as part of the bid, previous experience of team members and a group review of current and potential issues. The potential impacts of each risk were determined and agreed. The outputs of this initial session were entered onto a risk register template for reporting and tracking.

Risk scoring

Risks were then scored for probability and impact against the following 5 point scale:

Table 61 – Risk ratings

Probability	Criteria	Impact	Criteria
5 - Very High	>75% chance of occurring – almost certain to occur	5- Very High	Destructive and unacceptable impact on objectives that would result in a major change to overall approach. Potentially large resource consequences that outweigh current operational circumstances.
4 - High	51-75% chance of occurring – more likely to occur than not	4 -High	Significant and unacceptable impact on objectives that would require a material change to critical approach/procedure/process. Resource implications would be challenging to absorb within current operational circumstances.
3- Medium	26-50% chance of occurring – fairly likely to occur	3- Medium	Moderate impact on objectives that may require multiple changes in approach/procedure/process. Acceptable level of resource consequences.
2- Low	6-25% chance of occurring – unlikely to occur	2- Low	Minor impact on objectives, requires little overall change in approach. Few resource consequences.
1-Very low	1-5% chance of occurring – extremely unlikely to occur	1-Very low	No real impact on achieving objectives

This scale provides a risk matrix using the formula:

$$\text{Risk score} = \text{probability} \times \text{impact}$$

giving the following RAG (Red, Amber, Green) matrix of risk scores:

Figure 16- Risk rating matrix

Probability	Very High = 5	5	10	16	20	25
	High = 4	4	8	12	16	20
	Medium = 3	3	6	9	12	15
	Low = 2	2	4	6	8	10
	Very Low = 1	1	2	3	4	5
		Very Low = 1	Low = 2	Medium = 3	High = 4	Very High = 5
Impact						

Each risk was given an initial probability and impact score to calculate the risk score.

Risk responses

Risk responses were assigned using 5 categories:

- **Avoid** - remove the risk
- **Reduce** - take action to change the scores
- **Transfer** - pass ownership to third party
- **Share** - build coalition with partners to handle the risk
- **Accept** - management of risk is outwith ownership of GFP

Development of action plans

Action plans were developed by workshop and assigned to an owner for further development and progression. Where the risk response was to 'reduce' a target score was assigned.

Ongoing management of risk

In the initial phases of the GFP's development risks and risk management will be reviewed regularly by the Delegated Authority/Working Group. Risks with a score of 15 or greater ('red' risks) will be escalated monthly to the GFP board along with the overall aggregate risk score and trend.

In the operational phase, risk management will be the responsibility of the Chief Executive. Again, risks with a score of 15 or greater will be escalated to the GFP Board along with overall aggregate risk score and trend. Risks which become issues will be continued to be monitored on the main risk register to ensure continued management. Opportunities arising are managed outwith the risk management framework.

Freeport risks and mitigations

The top 5 risks for the Green Freeport are:

- **Skills** – lack of local skilled labour for GFP developments
- **Planning** - a large influx of complex Green Freeport planning applications stretches Highland Council planning resources
- **Infrastructure** required to support development of sites are delayed or not delivered including roads, water, utilities and grid
- **Housing** - a lack of suitable housing in the GFP TTW area reduces attractiveness for investors
- Interpretation of **state subsidy** rules reduce benefits from GFP

Detailed mitigations are included in the full risk register as a separate appendix and some of these risks such as skills and infrastructure are covered in detail in the FBC.

Since the risk register was developed considerable progress has been made in reducing the overall risk levels. Set-up stage risk regarding delays to tax site designation were mitigated and closed by effective management of delivery of the OBC and tax site stand-up through the Delegated Working Group. Cashflow risks have been reduced by development of the landowner levy while planning and other consenting risk have been reduced by the set-up of the Key Agencies Group. A further reduction in overall risk is expected when the FBC process is completed.

Remaining risks are generally longer term and some such as housing and skills will extend out into the 2030s before meaningful mitigation will be achieved.

5g. Security and illicit activity

Customs site operators, once authorised, will have a direct relationship with HMRC and Border Force and will be the entities responsible for managing security on sites and compliance as the best placed to identify, mitigate and manage risks.

The Inverness & Cromarty Firth Green Freeport Company will comply with the OECD Code of Conduct for Clean Free Trade Zones and the UK Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. The Company will register with a government-approved supervisory authority to verify compliance with anti-money laundering regulations if required.

The Inverness & Cromarty Firth Green Freeport's role will be:

- i. **Initial vetting** before proposing customs sites to HMRC to ensure that potential operators have a purpose clearly aligned with the Green Freeport objectives. The requirement that they will generate employment and added value will help exclude many of the illicit activities that Green Freeports can be at risk of hosting.
- ii. Convene a regular "Security & Risk Management workshop" within the Green Freeport area with key agencies. This will result in the production of **the Annual Green Freeport Security Audit**, convening local strategic security partners and producing a report signed off by those partners.
- iii. Identifying and managing the risks specifically increased or created by Green Freeport status. This includes **Risk monitoring** and management using a Risk Report and Green Freeport Security Plan, following the guidance issued in July 2023 by the Freeports Security Forum on identification, assessment, control and management of risks.
- iv. **Exchange of best practice** between custom site operators both within ICFGF and with Freeports elsewhere in the UK and facilitating ongoing improvements in standards.

Initial vetting

At present only one custom site has been able to demonstrate the likelihood of activity within 12 months and to have necessary systems and alignment to the Green Freeport objectives. The Port of Nigg, owned by Global Energy Group, will be the first custom site within the ICF Green Freeport. A letter of commitment from Port of Nigg is included in Annex I.

Port of Nigg is a registered temporary storage customs site with a reference number of GB/WHARF/401/21. Nigg's systems in respect of security and illicit activity will be reviewed as part of the ICFGF annual audit, but they have committed to honouring the obligations set out in the following:

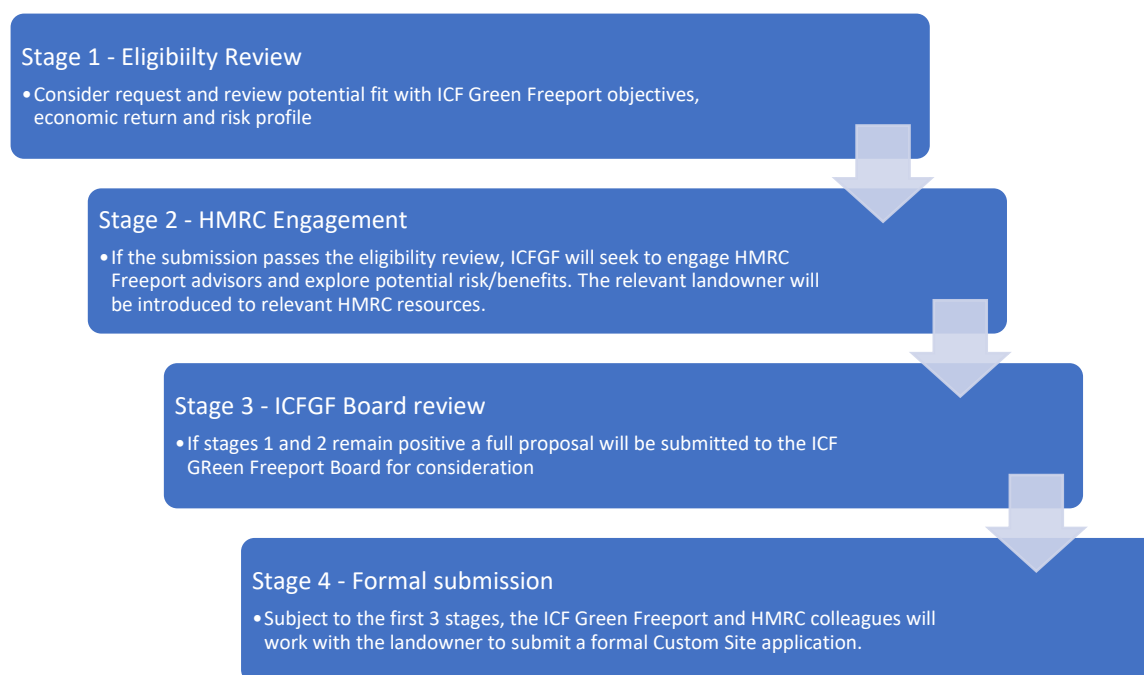
- OECD Code of Conduct for Clean Free Trade Zones
- UK's Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017.

Adherence to these codes and regulations will of course be a critical requirement for all future customs sites and communication and monitoring of this requirement will be a duty of the Green Freeport Compliance Manager.

As part of the customs site application process, Port of Nigg have been successfully audited by HMRC for both Approved Economic Operator (AEO) "S" and "C" standard as well as Customs Site Operator (CSO). AEO authorisation status was received on the 6th December 2023 with the certificate reference number of: GB AEOF 00427/23. HMRC have advised that CSO status for the Port of Nigg is anticipated to be awarded during June 2024.

Any further additions as a Custom site will be required to go through the following process for which the ICF Green Freeport Chief Executive will have oversight.

Figure 17 – Customs site process



Annual Green Freeport Security Audit

The ICF Green Freeport does not contain a shipping or goods transport hub, so whilst our Ports, in particular our two Trust Ports, are experienced in controlling international shipping and delivery of goods, we do not anticipate a high volume of goods flowing through our Green Freeport.

The advent of the Green Freeport and creation of customs sites is, however, likely to significantly increase the volume of shipping and movement of goods. For this reason, we place particular focus on the establishment and set up of our security arrangements. It is proposed that the following Green Freeport Security and Risk Management group be convened as soon as the Final Business Case submission and response process has taken place but in advance of the MOU process being completed. We will seek to secure a provisional date in mid-August 24. This time aligns with the end of the Scottish school holidays when attendance is likely to be stronger.

This first meeting will naturally be a scene setting forum as for many of the attendants the Green Freeport will be a new area of consideration. We will ask Border Force / HMRC to support that initial meeting at which we will set the context, agree terms of reference, and look at some best practise from across the UK.

We will also explain the core requirement to complete an annual security audit, albeit the timing of this will depend on the conclusion of the FBC process. We will also use this initial meeting to help populate the risk register. Due to the specialist nature of this exercise, and the fact that none of our ports retain full time security specialists, we propose to engage specialist advice to support a more detailed expansion of the security risk register. Discussions are already underway with Brightfinch.

The proposed security working group consists of the following attendees and organisations;

Table 62 – Green Freeport Security Working Group

	Organisation	Representative
1	ICF Green Freeport	Calum MacPherson - CEO (meeting Convenor)
2	Border Force	Iain Kerr - Border Force Senior Officer Imran Khan - Customs Policy for Border Force
3	Police Scotland	Judy Hill - Chief Inspector
4	Highland Council	Alan Yates - Environmental Service
5	NHS Highland	Kate Cochrane - Head of Resilience

6	Fire Service	Michael Humphreys - Area Commander
7	Port of Cromarty Firth	Trust port and authority for Cromarty Firth
8	Port of Inverness	Trust port and authority for Inner Moray Firth
9	Port of Nigg	Private port and Customs site operator
10	Port of Ardersier	Private port.
11	HMRC	Susan Kerr, Freeport Engagement Anna Lyth , HMRC

At the second meeting, we will seek to finalise the Security Risk Register and ensure mitigating measures are put in place. The group covers a broader interest than purely the tax sites and will help inform a more rounded view of the potential security risks in the region. For example, the significant increase in population in the area may impact on already pressurised health services, so consideration must be given to the perceived and actual impacts of inward migration. The contribution from Highland Council should help in this regard due to the broad spectrum of services they provide.

Once established and resourced we propose a biannual cycle of meetings, with the aim being to provide input and recommendation to the Annual Freeport Security Audit.

Border Force and HMRC will be given the opportunity to review the draft Annual Audit and associated Security Risk Register in advance of seeking ICF Board clearance and submitting to Government.



There are systems and accreditations for the management of safety and security already in place at each site. There will be considerable variation between the sites given the range of activity and scale across our potential future customs sites. Processes and protocols are being developed with Border Force and HMRC for the potential customs sites on the anchorages of the Cromarty Firth, with waterborne customs sites being an innovation for the UK.

Those customs sites that host large-scale fabrication, construction or manufacture will have secured sites with comprehensive safety systems that align usefully with security for Green Freeport purposes.

Our established Ports already have systems and industry standards in place that align with the requirements for a Green Freeport customs site such as International Ship & Port Facility Security Code (ISPS) status, Port Marine Safety Codes and Port Facility Security Plans.

Future customs site applicants would be expected to achieve AEO-S accreditation. This sets the conditions and criteria which cover the business entity in addition to the physical site, including appropriate record keeping, proven standards of competence or professional qualifications, financial solvency and compliance with customs legalisation and taxation rules. HMRC administers and audits this accreditation.

Risk monitoring & evaluation

Monitoring and compliance is a key function of the core Green Freeport Company with a named, responsible officer, initially the CEO. The Green Freeport Company Board will be populated with a view to a balancing of skills with nominations requested on this basis. This will include port operations and risk management and the financial competencies that will assist on other risk areas. The Board will ultimately be responsible for risk management under security and illicit activity, as they will be for the wider risk management around strategic risks to the Green Freeport objectives.

Given the wide range of specialist risk areas involved, it is expected that the CEO, and staff members tasked with managing risk, will engage specialist resource for the regular processes of risk identification and the

annual audit. Nominated members of the Board will provide a senior level of support to which risk issues can be escalated.

When selecting our tax sites we put in place a contractual requirement for prospective landowners to supply the information we needed to report fully back to the UK and Scottish Governments. If landowners were unwilling to sign a Tax Site Delivery Agreement (TSDA) then their land was not included within the tax map derogated area. Our first Custom Site at Port of Nigg is included within a tax site, and therefore we have a contractual mechanism to ensure receipt of the necessary M&E information. Should future Customs Sites be located outwith the tax site areas, then we will seek a similar “Custom Site Delivery Agreement” before recommending the location/applicant for Custom Site status.

This mechanism will ensure there is clarity on the reporting requirements in advance of a custom site being promoted by the ICF Green Freeport.

The Compliance Manager will be responsible for coordinating activity with all relevant bodies including Border Force, HMRC, Police Scotland, customs site operators and providing clarity on ownership of any risk issues and resourcing issues associated with mitigation and management.

The ICF Green Freeport CEO meets regularly with the senior port and custom site operators on a one-to-one basis, monthly and bimonthly, in the context of the Green Freeport Board meetings. When the monitoring is being undertaken, and particularly in the context of the annual security audit, the Compliance Manager will hold one-to-one meetings with site operators, supported by the CEO, where required, to ensure integration of operator’s risk documentation and within our own review process.

Best practise

The Compliance Manager will also have a role in identifying and disseminating best practice. This will include making all training and information services provided by national agencies available to customs site operators and those using their sites such as the Protect UK App used by Police Scotland – including Counter Terrorism and Border Policing Command.

Best practise will also be established through regular contact with CEOs through the UK Freeport SRO Forum. These forums happen regularly online, but going forward it is proposed these occur in person, hopefully twice annually.

We will be proposing a dedicated agenda item at these meetings to discuss best practise in security and risk management, whilst working remotely from each other, there is understandably a reluctance to share documentation due to the sensitive subject matter.

ICF Green Freeport recently procured an outsourced IT specialist to support our activity. Part of that brief was to support us through the Cyber Security accreditation process.

5h. Monitoring and evaluation

Inverness & Cromarty Firth Green Freeport Limited confirms it is committed to meeting the reasonable reporting requirements of the Governments in respect to the Performance Management & Assurance Framework, M&E Framework and Site Delivery Framework.

Green Freeports will be required to report to the Governments to support their assessment of:

- key performance indicators and data sources that allow the two Governments to track progress of individual Green Freeports and the programme as a whole against the policy objectives,
- impact evaluation to assess the extent to which Green Freeport outcomes are genuinely additional and the policy objectives have been achieved, and
- theory-based evaluation to help the Governments understand how and why the policy had the impacts it did (including the role of different levers).

It is understood that Green Freeports will be required to submit a six monthly monitoring returns to the Freeports M&E team in a Spring and Autumn reporting cycle.

Monitoring, evaluation and reporting will be the ultimate responsibility of the Board but with the ‘day to day’ activities undertaken by the Compliance and Security Manager, which is planned as a fulltime position within the Company’s staffing structure, reporting to the CEO. The Compliance and Security Manager’s remit will also include any required internal monitoring of tax and custom site operations.

The Highland Council (as Accountable Body) will have responsibility for monitoring and reporting the expenditure of public funds (seed capital and net retained NDR), and (as Rating Authority) for reporting on the NDR baseline position and subsequent NDR growth within Green Freeport Tax sites.

The table below sets out in further detail where responsibility for meeting UK and Scottish Governments’ expected monitoring, evaluation, reporting and assurance requirements will sit.

Table 63: M&E responsibilities

Individual / entity	Responsibilities
Inverness & Cromarty Firth Green Freeport Limited Board	The Board will have ultimate responsibility and accountability for meeting the UK and Scottish governments’ monitoring, evaluation, reporting and assurance requirements. This duty will be delegated to the Chief Executive Officer.
Chief Executive Officer	It will be the CEO’s responsibility to ensure that all data and information is collected in a timely manner and provided to the UK and Scottish governments to enable their monitoring, evaluation, reporting and assurance requirements to be met. The CEO will also ensure that the Green Freeport’s core data collection and monitoring processes are fit for purpose, that adequate resources are available to meet the requirements, and that they are used to support continuous improvement and capture key learnings.
Compliance and Security Manger	The Compliance and Security Manager will, in the first full year of the Green Freeport’s operation, develop a bespoke monitoring and evaluation framework designed to: • collect relevant data, • interrogate and analyse the data, and • populate the reporting templates provided by the UK and Scottish Governments. The Compliance and Security Manager will be responsible for ensuring such processes, and any required data sharing arrangements, are GDPR compliant. The Compliance and Security Manager will also be expected to establish and maintain relationships with businesses within the Green Freeport which will be necessary for the efficient and effective delivery of the requirements for data collection and evaluation. The Compliance and Security Manager – working alongside the Promotion, Marketing, and Inward Investment Development Manager – may complement these mandatory duties with other activities to support this function. These might include: • business surveys to understand both the soft and hard benefits arising from Green Freeport levers (in collaboration with local partners such as HIE, the chambers of commerce and other trade bodies to ensure consistency and avoid duplication), • the development of case studies to provide qualitative insights into how and why the benefits are achieved and what could strengthen them further, • wider stakeholder interviews to understand the broader impacts for the region and Scotland, • workshops with delivery partners to understand what is working well and/or could be improved to support continuous improvement and learning, • responding to parliamentary enquires, calls for evidence, and contributions to studies and reviews from Government, Crown Estate Scotland, Highland Council and other public bodies,

Individual / entity	Responsibilities
	• using data collected to support the company and its partners with funding applications and other related activities, and • supporting the preparation of Board reports.
Individual landowners, customs site operators and businesses operating on tax and customs sites	Landowners, customs site operators and businesses operating on tax and customs sites will be asked to supply data to the Compliance and Security Manager, by completing the provided forms and templates, on key activities and outcomes on an ongoing basis. Information required from businesses will include: • amount of new floorspace delivered, • land use change, • committed public and private funding investment, • the number and types of business operating, • whether those businesses are new, expanded or relocated, • the beneficial owners of those businesses, • number and details (e.g., contract type, salary band and job specification) of jobs, • details of participation and investment in skills and training programmes, • number and details of investment enquiries received for potential development, • status of planning applications, • carbon impact, in accordance with the Scottish Pollution Reporting Index (2023) and as outlined in Annex E, consistent with the Green Freeport's Net Zero charter which is expected to be attached to the Tax Site Delivery Agreements, and • measures to manage security risks across the physical, personnel and cyber domains. Tax Site Delivery Agreements, which have been signed by all owners of land within tax sites, include an obligation on landowners to provide such data, and an obligation to use all reasonable endeavours to procure that tenants and end users also provide it as and when requested (refer to section 4a for further detail). Tax Site Delivery Agreements include mechanisms for these requirements to be passed on to businesses occupying premises on tax sites. If an end user declines to fulfil such requirements, the Green Freeport Company can pursue the landholder for the information. Where customs site operators are also tax site landowners (as is the case with the first customs site at Nigg Energy Park) the TSDA will be the mechanism via which information provision requirements will be managed. Where a future customs site operator is not already a party to a Tax Site Delivery Agreement a "Customs Site Agreement" will be entered into and include relevant obligations in respect of the provision of data. It is noted that customs site operators will also have a direct relationship and reporting requirement to HMRC for certain compliance and reporting matters for which the Green Freeport Company will not act as the intermediary. Support will be available to businesses in meeting their information provision requirements. The Green Freeport Company will create templates and explore data recording platforms so that businesses can enter their data directly thereby minimising the levels of data handling required. Reminders, training and guidance will also be provided.
The Highland Council	The Highland Council, as Accountable Body, will be responsible for reporting to the Governments on the investment of seed capital and net retained NDR, as public funds. It will use its existing local assurance and reporting frameworks (already used effectively for Inverness & Highlands City Deal investments) to ensure seed capital and net retained NDR projects are proceeding in line with their objectives and value for money. The Highland Council, as Rating Authority, will be responsible for reporting to the Governments on NDR relief and retained NDR. In terms of NDR relief:

Individual / entity	Responsibilities
	• Green Freeport relief will be recorded in NDR statistical returns in the same way as other local reliefs. • Green Freeport relief will feature in the Billing system snapshot data collection from as a separate relief. • Green Freeport relief will feature in NDR returns along with other local reliefs. • The relief information will be published in accordance with The Highland Council's relief recipients lists. The relief type, code, percentage, and amount awarded will be presented in accordance with legislation and Scottish Government guidance. • If requested by the Scottish Government, a survey in relation to Green Freeport relief awards for the purpose of policy evaluation will be completed. In terms of retained NDR, the Highland Council will report on Green Freeport NDR retentions (baseline income and the amount of income to be retained) using the return form, as part of the standard annual process of NDR income returns.

Annex A – Maps

Tax site maps, consistent with the statutory instruments designating the tax sites, are on the UK Government website: [Maps of Inverness and Cromarty Firth Green Freeport tax sites - GOV.UK \(www.gov.uk\)](https://www.gov.uk/maps-of-inverness-and-cromarty-firth-green-freeport-tax-sites)

Customs site and seed capital maps are provided in separate file.

Annex B – Programme risk register

Provided in separate file.

Annex C – Fair Work Charter

Background

Fair Work is a key component of our Green Freeport plans in Inverness and Cromarty Firth. In particular, promoting and encouraging employers to adopt the Scottish Governments Fair Work First principles which, as of 1 July 2023, forms an integral part of all [public sector grants](#)²³.

Fair Work can be defined as work that offers effective voice, opportunity, security, fulfilment, and respect and be a significant driver of productivity for Scotland, as well as contributing to growth that is inclusive.

National approach

The enterprise and skills agencies, in conjunction with the Scottish Government and the Fair Work Convention, have developed a [tool](#) to help employers understand and fully embed the dimensions of Fair Work. It will support business to take the next step on their Fair Work journey.

For workers and employers looking to find out more about Fair Work in the workplace, they may wish to complete the relevant tool:

- Workers can complete the Self-Assessment Tool, developed by the Fair Work Convention. It is designed to help workers make an assessment of their own experience of Fair Work and suggest actions they can take to improve on it.
- Employers can complete the Fair Work Employer Support Tool, developed by Scottish Enterprise, in conjunction with the Scottish Government, the Fair Work Convention and other partners. It is designed to help employers understand and fully embed the dimensions of Fair Work.

In addition, the Inverness and Cromarty Firth Green Freeport (ICFGF) board is demonstrating their commitment to Fair Work by introducing a ICFGF Fair Work Charter. This Charter aims to support businesses implement and manage Fair Work by supporting them through a series of practical steps that will improve and demonstrate their commitment to fair work.

Inverness & Cromarty Firth Green Freeport Fair Work Charter

The Inverness & Cromarty Firth Green Freeport Fair Work Charter is based on the principles of the Scottish Government's Fair Work First guidance and the Fair Work Convention's Fair Work Framework, with principles and best practice captured in 5 clear dimensions set out as set out in the Fair Work Convention's Framework. These are:

- Effective voice
- Security
- Opportunity
- Fulfilment
- Respect

This Charter recognises that not everyone is able to meet all elements at once, and so the Charter allows businesses to map out their journey to always consider Fair Work First principle, build on the good practices that are already happening in workplaces and widen these out.

Given that we are expecting all tax site landowners and end users to sign up to the Charter, it is designed to cater for all sizes of companies, providing the flexibility to be applied from start-up SMEs to large multi-nationals operating within the tax sites, hence the distinction between 'aspiring', 'achieving' and 'excelling'.

²³ It is important to note that there is also a separate requirement for public sector bodies to apply Fair Work Conditionality in Public Sector Grants. to all grants awarded on or after 1 July 2023.

This charter provides examples under each sub commitment which have been designed to describe best practice. There should be flexibility applied in any self-assessment as these examples are not exhaustive. The key message for employers in signing the charter is that they should undertake a progressive, relevant, and proportionate approach to Fair Work.

Monitoring and implementation

The role of ICFGF will be to promote and encourage employers to adopt the Scottish Government Fair Work First principles. We will do this through the promotion of the ICFGF Fair Work Charter. The process will be managed through:

- All landowners signing Tax Site Delivery Agreement (TSDAs) would be required to sign the Charter.
- Landowners will be obliged to use best endeavours to get their end users to sign.
- To sign up to this charter businesses must meet all Aspiring criteria and at least three Achieving criteria as a minimum.
- A plan must then be put in place to meet the remaining Achieving criteria within six months. Guidance on how to meet these criteria can be found provided by our team. We do appreciate however, that each business is unique and as such these commitments are not exhaustive and can be reviewed to better suit your business. Approaches should be progressive, relevant, and proportionate.
- In addition to the requirement to provide a route map to achievement within six months, ICFGF expects employers to have fully implemented that plan within the following six months. i.e. a total of 12 months. This 12-month period will start on the earlier of (a) the initial review and agreed commencement date with ICFGF staff and the employer, or (b) the date on which either NIC or NDR reliefs are first exercised. ICFGF staff, together with skills development partners, and where appropriate workers representation, will engage in regularised review of progress over the 12-month period. These should occur as a minimum in months 1, 5 and 11, or more regularly if resources allow.
- The PowerHouse manager will work with businesses to self-assess as they record their journey and continue to improve their delivery in line with this Charter.
- This self-assessment process will be required and monitored by ICFGF every six months.
- If a business does not reach full 'Achieving' status within the timeframe agreed, or if the self-assessment shows that they are no longer compliant with the Charter, the PowerHouse manager will refer to the ICFGF Chief Executive, who will agree the best course of action. This may include providing additional support to the business to help them reach full 'Achieving' status, agreeing an extension to the timeframe, setting out a timeframe within which compliance will be adhered to, or other actions.
- If, following this, no improvement is found, the ICFGF Chief Executive, can report the business to the ICFGF Board for breach of the Tax Site Delivery Agreements. The Board will then be responsible for determining the most appropriate route for addressing matters that require recourse, which may include recovery of fiscal benefits provided.

We assess the likelihood of non-compliance and resulting action as described in this section highly unlikely. Across ICFGF there is already a demonstrable commitment to Fair Work from landowners and employers, with the majority, if not all, already adhering to the requirement applied through Fair Work Conditionality in Public Sector Grants.

The Inverness and Cromarty Firth Green Freeport Fair Work Charter can be found below. At the time of writing this charter aligns with Forth Ports Fair Work Charter. ICFGF reserve the right to amend to meet the needs of employers and workers, as instructed by the ICFGF board and in agreement with Government.

Inverness and Cromarty Firth Green Freeport Charter

April 2024 V1.0

Foreword / background

Fair work is not just about paying employees a rate of pay which enables them to meet the cost of daily living, it is ensuring that your workers and employees have meaningful employment within a safe, respectful, fair, and healthy workplace while allowing your business to grow from strength to strength.

This Charter is based on the principles of the Scottish Government's Fair Work First guidance which sets out the Scottish Government's vision to ensure that everyone in Scotland will have 'a world leading working life where Fair Work drives success, wellbeing and prosperity for individuals, businesses, organisations and society'. In doing so more businesses can help to lift those still in low paid and insecure work into fair work, helping them to fulfil their potential and get a home or provide a secure start for their children.

Fair Work not only benefits the individual but also benefits the business. By implementing fair work practices, you can attract a higher standard of applicants into your organisation and create an environment where people want to stay and contribute to the continuing success of your business. A healthier, happier workplace culture can lead to improved productivity and by investing in the upskilling of your staff through training and developing opportunities, you can build the ideal future workforce for your business.

We recognise that businesses vary in size and type and the charter is designed to be flexible. The examples within the commitments are not exhaustive and can be reviewed to better suit your business. We understand that not everyone is able to meet all elements at once, and so the Charter allows businesses to map out their journey to always consider Fair Work First. By working together, we can build on the good practices that are already happening in workplaces and widen these out.

All businesses are encouraged to audit themselves against the requirements of providing Fair Work and to self-assess and record their journey as they continue to improve their delivery in line with this Fair Work Charter. An excellent tool to use can be found on the Fair Work Convention website - [The Fair Work Convention](#).

Effective Voice

We commit to ensuring an **effective voice** for our workers. We will do this by keeping a constructive dialogue between the employer, workers, and (where appropriate) a relevant trade union/s to address workplace issues by providing channels for effective workers' voice at both collective and individual levels. We will do so ensuring fair, transparent, and communicative practices, especially if the need to change terms and conditions of employment arises.

Level	Actions
Aspiring	Informal arrangements are in place through which meaningful individual and collective dialogue can take place, including one-to-ones between workers and management, appraisal/feedback processes, team/organisation meetings, regular surveys using tools such as Workleap Officevibe .
Achieving	Formal arrangements are in place through which meaningful individual and collective dialogue can take place, including one-to-ones between workers and management, appraisal/feedback processes, team/organisation meetings, regular surveys using tools such as Workleap Officevibe . Formal scheduled arrangements are in place with worker representatives and/or trade unions to discuss key aspects of worker welfare.

Excelling	Workers and/or trade unions are represented in key governance and decision-making structures.

Security

We commit to treating all our workers and employees fairly. We will do this by providing each employee and worker with secure employment, fair pay, at a minimum the rate of the [real Living Wage](#) or the collectively bargained rate where applicable, and by providing each worker and employee with defined, set hours with no use of zero hours contracts, unless requested by the employee.

Real Living Wage

Level	Actions
Aspiring	Workers and employees within the organisation who are not currently receiving the real Living Wage (as calculated by the Living Wage Foundation) are identified and a plan agreed to move them onto this by a set date. All employees to have access to sick pay from day one of absence.
Achieving	All workers and employees, including apprentices, are paid, at a minimum, the rate of the real Living Wage or the collectively bargained rate (where applicable). All employees to have access to enhanced sick pay from day one of absence for a clearly defined timeframe.
Excelling	Contractors are engaged and achievable actions implemented to pay real Living Wage for this group. Receive accreditation from Living Wage Foundation as a real Living Wage employer.

Living hours contracts

Level	Actions
Aspiring	Posts which are not secure contracts, including those without set hours, are identified and a plan developed for these workers and employees to be moved onto secure contracts by an agreed date, unless the worker or employee requests otherwise.
Achieving	All workers and employees, including those requesting an atypical contract, have secure contracts with agreed hours per week, suitable to their lifestyle choices or balances. Regular reviews of non-typical contracts are conducted to ensure they remain relevant and suitable. Notice periods are always given for changes in working hours or shift requirements.
Excelling	Receive accreditation from Living Wage Foundation as a Living Hours employer.

Pay transparency

Level	Actions
Aspiring	Understanding current demographics of existing workforce and identify possible pay gaps based on gender, ethnicity and disability. Ensure gender pay gap data is reported to UK Government annually (if more than 250 employees). Develop a plan to address the pay gaps.
Achieving	Regularly carry out a diversity, equality and inclusion audit. Have policies and procedures in place and set clear targets and dates to reduce the pay gaps.
Excelling	Achieve or surpass targets within the identified timeframe. Review policies, procedures, targets and dates annually to continually work towards reducing gaps.

Opportunity

We commit to establishing a diverse workforce and creating pathways into and throughout our business that are accessible to all.

Access to training and development opportunities

Level	Actions
Aspiring	Have an established induction programme for all workers and employees that clearly outlines the organisational values and standards of behaviour expected. Agree target for number of apprentices recruited and/or work experience placements that can be provided annually. Actively support new entrants to the workforce.
Achieving	Have a clear progression route into substantive employment within the organisation for individuals who successfully complete their apprenticeship/work experience. Have a clear workforce plan in place, identifying future skills need of the organisation.
Excelling	Have a Training and Development policy, and performance management process which ensures all workers and employees, including managers, have paid time available to them in supporting their development. Meet target for number of apprentices recruited and/or work experience placements that can be provided annually. Signed up to Investors in People: We Invest in People or similar national scheme .

Attracting a diverse workforce

Level	Actions
Aspiring	Understand current demographics of existing workforce and look for ways to improve procedures to make them more inclusive. Create career pathways, and training and development opportunities accessible to all.
Achieving	Signed up to national standard such as Disability Confident Employer stage or SUSE's APT. Working towards implementing the UK government's ' Positive action in the workplace ' guidance. Signed up to national standard such as Disability Confident Committed stage or the Scottish Union of Supported Employment (SUES) APT service .
Excelling	Have Diversity and Inclusion and Equality policies and procedures in place. Engage with local employability partners to provide support and pathways into the organisation for those with barriers to employment.

Fulfilment

We commit to providing roles that allow staff to use existing skills and experience while working collaboratively with the business to increase happiness and engagement.

Continuous professional development

Level	Actions
Aspiring	Understand the skills and experience of current workforce and how these are currently being utilised within the business. Identify skills gaps and areas where underutilised skills and experience could be used in different areas of the business.

Achieving	Provide training opportunities to workers and employees. Have processes in place to discuss individual training needs with all workers and employees.
Excelling	Have formal continuing professional development (CPD) systems in place to allow workers and employees to continually update skills or develop new ones to allow for career progression and future skills requirements of the business. Undertake regular reviews of current skills and experience of current workforce and identify areas of development required for the future of the business.

Collaborate working

Level	Actions
Aspiring	Identify roles that allow for variety of completion and implement ways in which workers and employees can make more decisions on how they complete these tasks. Create opportunities for workers and employees to share ideas and suggest changes.
Achieving	Identify goals and targets or key performance indicators for workers and employees to achieve. Ensure these are regularly reviewed and discussed, allowing workers and employees the opportunity to raise concerns or challenges.
Excelling	Allow workers and employees to work autonomously wherever possible while providing support and advice when needed.

Respect

We commit to enhancing the health, safety and wellbeing of our workers and employees. We will do this by providing clear expectations of our values, ensuring the health and safety of all, and supporting flexible working within all reasonable boundaries to achieve a balance between work and home life. We will create pathways into employment for new workers and employees.

Values

Level	Actions
Aspiring	Have clear Codes of Conduct in place that outline the values of the business, behaviours that are expected from all workers and employees, and health and safety requirements. Have Diversity and Inclusion and Equality policies and procedures in place and create career pathways, and training and development opportunities accessible to all. Signed up to national standard such as Disability Confident Committed stage or the Scottish Union of Supported Employment (SUES) APT service .
Achieving	Engage with local employability partners to provide support and pathways into the organisation for those with barriers to employment. Signed up to national standard such as Disability Confident Employer stage or SUSE's APT. Working towards implementing the UK government's 'Positive action in the workplace' guidance.
Excelling	Establish employee network groups such as ethnic minority, women's, LGBT+ or disability networks with clear aims and objectives to provide avenues for effective employee voice. Signed up to national standard such as Disability Confident Leader stage or SUSE's APT. Embedded the UK government's 'Positive action in the workplace' guidance.

Flexible working

Level	Actions
Aspiring	All workers and employees are aware of how to request flexible working options. Roles within the organisation which can work flexibly, including flexible start/finish times, compressed hours/annual hours, job sharing/part-time are identified and this is communicated as an option to all employees.
Achieving	Offer flexible working practices for all workers and employees from day one of employment. All workers and employees are equipped to work flexibly and are not excluded from development opportunities.
Excelling	A suite of flexible working policies are in place and vacancies are advertised with the possibility of flexible working from day one of employment, where suitable.

Commit to the Charter

To sign up to this charter businesses must meet all Aspiring criteria and at least three Achieving criteria as a minimum. A plan must then be put in place to meet the remaining Achieving criteria within six months. Guidance on how to meet these criteria can be found in our supporting documents and additional support can be provided by our team. We appreciate that each business is unique and as such these commitments are not exhaustive and can be reviewed to better suit your business. Approaches should be progressive, relevant and proportionate.

Business Name:

Business Leader:

Date of initial completion:

Date of next review:

Dimension	Commitment	Current Stage	Action Plan to Progress	Target Date
Effective Voice	Effective voice	☐ Aspiring ☐ Achieving ☐ Excelling		
Security	Real Living Wage	☐ Aspiring ☐ Achieving ☐ Excelling		
	Living hours contracts	☐ Aspiring ☐ Achieving ☐ Excelling		
	Pay transparency	☐ Aspiring ☐ Achieving ☐ Excelling		
Opportunity	Access to training and development	☐ Aspiring ☐ Achieving ☐ Excelling		
	Attracting a diverse workforce	☐ Aspiring ☐ Achieving ☐ Excelling		

Dimension	Commitment	Current Stage	Action Plan to Progress	Target Date
Fulfilment	Continuous professional development	☐ Aspiring ☐ Achieving ☐ Excelling		
	Collaborate working	☐ Aspiring ☐ Achieving ☐ Excelling		
Respect	Values	☐ Aspiring ☐ Achieving ☐ Excelling		
	Flexible working	☐ Aspiring ☐ Achieving ☐ Excelling		

In addition to the above, we commit to not using fire and re-hire practices.

Annex D – Logic model

Provided in separate file.

Annex E – Decarbonisation plan

Introduction

This document is the high-level initial draft Decarbonisation Plan of the Inverness & Cromarty Firth Green Freeport (ICFGF) Full Business Case (FBC). The Plan explains the current objectives for decarbonisation of the Green Freeport (GF) following designation, and how it will contribute to a Just Transition to Net Zero emissions consistent with the Scottish Government’s legislated target of 2045.

The Plan sets out a vision for decarbonisation, the corresponding policy and economic landscape and how the GF aligns with that, and summarises the main projects envisaged within the ICFGF geography. It goes on to explain how the GF will positively impact a Just Transition to Net Zero through eleven top-level objectives:

The ICFGF Decarbonisation Plan objectives address the following:

- 1. Decarbonisation of ICFGF activities, and how this will be managed and monitored.**
- 2. Increasing green economy jobs and skills base.**
- 3. Growing investment on Clean Growth/Net Zero technologies and supply chains.**
- 4. Engaging and collaborating with local communities and stakeholders.**
- 5. The wider demands of Sustainability, beyond just Decarbonisation, with reference to the UN Sustainability Development Goals.**
- 6. Sustainable procurement practice.**
- 7. Align with national and regional policies and strategies.**
- 8. Quantify carbon emissions associated within the control and influence of ICFGF.**
- 9. Employ a Net Zero governance framework by aligning to requirements of PAS 2080.**
- 10. Align with the Scottish Government’s just transition planning policy.**
- 11. Sign landowners up to ICFGF’s Net Zero and Sustainability Charter**

Vision

ICFGF seeks to deliver a significant net negative carbon emissions impact through its tax site operations and associated influence on low carbon infrastructure that will be enabled within the wider region, e.g., offshore windfarms and the production of green hydrogen.

Our vision is that ICFGF will exploit all applicable opportunities to address the climate and ecological emergency and do that in a way that will significantly accelerate sustainable economic growth whilst increasing local and national environmental/ economic resilience. By leveraging the abundant natural resources and emphasis on renewable energy projects, this Plan is a catalyst for driving the transition to a low-carbon society and reducing CO₂ emissions on a much larger scale than would previously have been possible. ICFGF’s decarbonisation vision is as follows:

ICFGF aims to achieve a Carbon Payback outcome by 2035 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. To ensure this objective is met, carbon emissions associated within the control and influence of the ICFGF have been quantified.

Across all tax site locations, the current (2024) **Operational Carbon** emissions are estimated at ~9.7 ktCO₂e per year. New build operations within the tax site locations are planned with associated **Capital Carbon** estimated at 1,010 ktCO₂e and with **Operational Carbon** forecast to peak in 2028 at 52 ktCO₂e then gradually decrease to 36 ktCO₂e in 2050²⁴. These values, derived in line with best practice carbon assessment methodologies are estimates using the best available data at the time of assessment.

ICFGF's **Carbon Influence** encompasses the operational capacity deployment of 5 - 7GW of Offshore Wind and 1.05GW of green hydrogen production by 2035. Collectively, this can deliver carbon savings of around 25 MtCO₂e from 2028 – 2050.

The ICF region has vast potential to decarbonise not only the local economy and region but also contribute significantly to decarbonisation efforts beyond the Highlands. The strategic locations of the ports included in the ICF region allow them to be supporting hubs for the offshore wind projects off the east coast of Scotland. The combined potential of offshore wind energy generation and hydrogen production presents a unique opportunity to distribute the benefits of decarbonisation across Scotland, the wider UK, and Europe. While supporting the green economy and facilitating the deployment of GWs of renewable technologies, ICFGF will align with the Scottish government's target of net zero by 2045 which will be facilitated through the Net Zero & Sustainability Charter which all tax site landowners have agreed to sign up to.

External context

This section describes the global, regional and local factors, from legislation to policies and initiatives, that the Green Freeport needs to align with in establishing and operating its activities.

Global landscape

The urgent need to reduce greenhouse gas emissions and mitigate the impacts of climate change is universally recognised. The Paris Agreement, signed in 2015, sets the goal of limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C. Achieving these targets requires a rapid and unprecedented transition to low-carbon energy systems whilst reducing global dependence on fossil fuels.

The shift from fossil fuels to renewable energy sources is a crucial component of the energy transition. This transition is driven by the need to significantly reduce greenhouse gas emissions in line with national and international law, reduce air pollution and enhance energy security. Global efforts, such as the United Nations Sustainable Development Goals (SDGs), particularly SDG 7 (Affordable and Clean Energy), emphasise the importance of expanding access to sustainable energy and increasing the share of renewable energy in the global energy mix.

²⁴ Tables 3 & 4

SUSTAINABLE DEVELOPMENT GOALS



SDGs particularly relevant to the ICFG are:

- **SDG 7 – Affordable and Clean Energy** aims to provide access to modern energy services for all by 2030. Energy poverty remains a challenge in many parts of the world. Addressing this issue requires sustainable energy solutions that are accessible to all, including remote and under-served communities.
- **SDG 8 – Decent Work and Economic Growth** concentrates on promoting inclusive and sustainable economic growth and employment for everyone. The Green Freeport aims to deliver a pipeline of renewable energy projects, attracting investment and driving economic growth. This will contribute to a wide portfolio of employment opportunities throughout the region, encouraging young people to remain in and return to the Highlands.
- **SDG 9 – Industry, Innovation and Infrastructure** addresses the need to build resilient infrastructure, encourage innovation and advance sustainable industrialisation. The Green Freeport can unlock public and private investment, establish fundamental infrastructure for floating offshore wind and green hydrogen technologies, and become a hotbed for innovation in the green energy, maritime technologies, advanced manufacturing and life science spaces.
- **SDG 13 – Climate Action** focuses on urgent actions to combat climate change and its impacts. The Green Freeport can contribute to SDG 13 by prioritising renewable energy generation and reducing carbon emissions. By enabling much greater generation of renewable energy and green hydrogen than would be the case without intervention, the Freeport will promote clean energy adoption and play a vital role in the UK's efforts to mitigate climate change.
- **SDG 14 – Life Below Water** aims to conserve and sustainably use the oceans, seas, and marine resources. The Green Freeport can support SDG 14 by adopting sustainable practices in maritime and coastal activities. Implementing eco-friendly shipping and port operations, and engaging in marine conservation efforts, the Freeport has a significant opportunity to contribute to preserving marine biodiversity and protecting marine ecosystems locally, whilst demonstrating best practice case studies to international partners.
- **SDG 15 – Life on Land** focuses on protecting, restoring, and promoting sustainable land ecosystems. The Green Freeport can align with SDG 15 by integrating, where practical, nature-based solutions in its projects. By implementing rewilding and land restoration initiatives in and around the tax sites and promoting / requiring biodiversity-friendly practices, the Freeport can positively support sustainable land use and contribute to terrestrial ecosystem preservation, again providing useful exemplars for other countries to follow.

The GF will adopt a Net Zero & Sustainability Charter as shown in Appendix 1, with the charter objectives mapped against applicable UN SDGs. All landowners within the GF have committed to this charter.

Of course, energy security is often intertwined with geopolitical dynamics. Reliance on imported fossil fuels, geopolitical conflicts over energy resources, and disruptions in energy supply chains can impact global stability and economic growth. Diversifying energy sources and promoting regional cooperation can help mitigate these risks and enhance energy security.

Advancements in clean energy technologies, energy storage, and grid integration play a crucial role in addressing energy security challenges. Investing in research and development, fostering innovation, and scaling up deployment of clean energy solutions are essential for a sustainable energy transition. International collaborations and knowledge sharing facilitate technology transfer and accelerate progress in this regard.

The above macroeconomic climate and global issues surrounding energy security have brought the need for sustainable and reliable energy sources to the forefront of the minds of business and political leaders alike, across Scotland and the wider UK more generally. As nations strive to reduce their carbon emissions and transition towards cleaner energy systems, the role of the Highlands and Islands of Scotland becomes increasingly vital in addressing these challenges.

Regional outlook

The Highlands and Islands has an opportunity to disproportionately contribute to national Net Zero ambitions through its capacity to generate renewable energy from its remarkable natural capital, particularly in wind, tidal and wave power. ScotWind and INTOG, (Innovation and Targeted Oil & Gas) the offshore wind leasing rounds initiated by Crown Estate Scotland, as well as the repowering of existing onshore wind projects, provide an unprecedented opportunity for the region to capitalise on its natural advantages, in particular through ICFGF.

The next five years are critical in respect of the investment in infrastructure and manufacturing facilities to support the build-out of multi-Gigawatt (GW) infrastructure from 2028/29 and beyond. These programmes create an enviable platform for significant investment, job creation, and local economic growth. The development of offshore wind projects will not only provide clean energy but also stimulate the local supply chain, attracting companies to establish and base their operations in the region.

In 2019, the Highlands and Islands region already accounted for almost 40% of Scotland's renewable power generation²⁵, and the Highland Council area, within which ICFGF sits, is alone home to more onshore wind and hydro power than any other local authority in the UK.

The need for even greater renewable power generation is clear in the context of achieving Net Zero by 2045, the imperative of securing more energy from domestic sources, and the urgent need to reduce energy bills as a result of the cost-of-living crisis and increase in fuel poverty. The natural resources – wind, wave, tide – and the physical infrastructure to support renewable developments, places the Highlands and Islands at the heart of the UK and Scotland's energy transition strategies.

In recent years, key industry announcements have served to illustrate further the importance of the region – ScotWind leasing, INTOG leasing, tidal contracts for difference (CfD) secured including Moray West, the offshore wind farm in the Moray firth, the Western Isles interconnector and ICFGF – and the promise of major investment, supply chain development, and community benefit that comes with these.

By capitalising on our natural resources, the Highlands and Islands can contribute significantly to the UK's and Europe's energy transition, reducing dependence on fossil fuels and mitigating the impacts of climate change.

Alignment with national & regional policies & strategies

ICFGF Decarbonisation Plan objective #7: Align with national and regional policies and strategies

²⁵ Scottish Energy Statistic Hub. Displaced emissions (2019) and renewable energy electricity generation by local authority (2019).

The Scottish Government launched for consultation its draft “Energy Strategy and Just Transition Plan” in January 2023 which commits to a £5bn investment programme during this parliament for Net Zero energy transition. Key components of the draft strategy are summarised as follows:

- **Scotland’s First Just Transition Plan** – committed to increasing access to affordable energy; urges UK Government to permanently break the link between the price of electricity and cost of gas and therefore help secure benefits of low-cost renewable electricity. The plan is also committed to maximising community benefits; recognising regional dependence on fossil fuel related activity including Shetland; attract increasing levels of private and inward investment in the Net Zero energy economy; use capital funds to support those least able to pay, maximise economic opportunities for communities, and promote environmental protection.
- **Expanding energy generation** – generate enough power for both domestic demand and for export; ambition of more than 20GW of additional low-cost renewable electricity capacity by 2030 from on and offshore wind, marine and solar (representing a doubling of existing capacity); renewable and low carbon hydrogen production ambition of 5GW by 2030 and 25GW by 2045; push UK Government for right market support for pumped storage hydro and Carbon Capture Utilisation & Storage (CCUS). The inclusion of a draft vision for Marine Energy is particularly welcome, noting progress towards commercialisation by both tidal and wave sectors.
- **Changing the way we use energy** – Heat in Buildings Bill to regulate energy efficiency and zero direct emission heat in homes and buildings through a new public agency “Heat & Energy Efficiency Scotland”; reduce car kilometres by 20% and develop a Just Transition Plan for Transport; industrial decarbonisation through Scottish Industrial Energy Transformation Fund and Low Carbon Manufacturing Challenge Fund.

Scotland’s National Strategy for Economic Transformation (NSET) provides further strategic context, with offshore wind and hydrogen being identified as two New Market Opportunities which will strengthen Scotland’s position in new market and industries, generating new well-paid jobs from a Just Transition to Net Zero.

The Scottish Government’s Hydrogen Action Plan was published in December 2022 and is designed to accelerate Scotland’s hydrogen production capability, address barriers to uptake, support regional hydrogen energy hubs (such as Cromarty, Shetland, Orkney, Western Isles), develop supply chain capability and realise export potential. The region’s renewable resources combined with constraints on the grid, and existing enabling infrastructure in the existing oil and gas terminals is expected to drive early investment in green hydrogen at scale. The potential to provide value added industrial activity adjacent to the energy sources in rural and coastal communities and to create new jobs which will contribute towards an inclusive and just transition is particularly attractive. The advent of ScotWind and INTOG, and the growing and urgent energy demand from European neighbours, is further increasing the prospects of green hydrogen at scale from the region.

The UK Government’s Industrial Strategy highlights the need to foster economic growth and promote regional development. ICFGF, by attracting green investments, driving innovation in renewable energy and sustainable technologies, and creating job opportunities in the Highlands and Islands region, aligns directly with the government’s vision for balanced economic growth across the UK.

The UK’s Clean Growth Strategy focuses on achieving sustainable economic growth while reducing carbon emissions. As a Green Freeport, ICFGF will play a crucial role in the UK’s transition to clean energy. By enabling offshore wind developments and green hydrogen production, the Green Freeport aligns with the government’s commitment to decarbonisation and advancing the opportunities for industry to benefit from clean growth.

The UK Government’s 25-Year Environment Plan, published in 2018, outlines their vision for protecting and enhancing the environment. The Green Freeport concept’s emphasis on renewable energy, sustainable practices, and circular economy principles aligns with the government’s goals to combat climate change, preserve natural resources, and promote positive environmental stewardship.

The UK's Industrial Decarbonisation Strategy aims to decarbonise industry and reduce greenhouse gas emissions. The Inverness and Cromarty Firth Green Freeport, by prioritising green technologies and energy efficiency / Net Zero across the tax sites, directly supports the Government's strategy to transition industries to low-carbon practices. This is illustrated by the Green Freeport's estimated annual production of 1.05GW of green hydrogen occurring within the tax site by 2035. There is ambition for further hydrogen projects in the surrounding area which will directly benefit from the GF's activities. This is in addition to a 60% UK content target for at least 1GW per annum of FLOW capacity by the mid-2030s.

The UK Export Strategy focuses on strengthening trade relationships and expanding global partnerships. As a Green Freeport, Inverness and Cromarty Firth will attract foreign direct investment, engage in sustainable trade practices, and promote the UK's position as a leader in green technologies, aligning with the government's post-Brexit international economic agenda.

The table overleaf further illustrates ICFGF alignment with national policies and strategies.

Legislation/Policy	Summary	Alignment with Decarbonisation Plan
Climate Change (Scotland) Act 2009 / Climate Change (Emissions Reduction Targets) Scotland Act 2019	In direct response to the international Paris Agreement, the Climate Change (Scotland) Act 2009 was amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, increasing the ambition of Scotland's emissions reduction targets to Net Zero by 2045. The 2019 Act embeds the principles of a Just Transition, which means reducing emissions in a way which tackles inequality and promotes fair work, at the heart of Scotland's approach to reaching Net Zero.	Significant opportunity for ICFGF to expedite Scotland's transition to a zero-carbon electricity system whilst also catalysing the nascent hydrogen sector.
A Stronger and More Resilient Scotland: Programme for Government (PFG) 2022-23	To support the rapid decarbonisation of our energy system, homes and buildings, and a Just Transition to Net Zero, we will: • Develop a new hydrogen industry in Scotland with the publication of the final Hydrogen Action Plan and a Scottish Hydrogen Investment • Proposition, setting out Scotland's position on the manufacture, production and export of hydrogen, and a compelling case for investment. The Action Plan is supported by a £100 million capital funding programme, designed to accelerate and maximise production. • Facilitate the development of an offshore wind supply chain to make good on commitments averaging approximately £1.4bn of investment per project, as part of the potential development of almost 28GW of offshore wind energy through ScotWind Round 1.	The Green Freeport has potential to expedite the delivery of a green hydrogen economy across Scotland, as well as ensuring the timely delivery of a multitude of ScotWind and INTOG projects, thus directly supporting PFG ambition.
Climate Change Plan 2018-2032	The green recovery and transition to Net Zero present considerable economic opportunities for Scotland. By capitalising on Scotland's strengths in energy, natural capital, innovation and our skilled workforce and universities, we can set Scotland at the forefront of growing global markets.	The Green Freeport has the potential to be a significant enabler for the economic opportunities outlined within the Climate Change Plan, and directly supports its key objectives. The PowerHouse seeks to nurture innovation and new skills development.
Second Climate Change Adaptation Programme (SCCAP) 2019-2024	The second Scottish Climate Change Adaptation Programme sets out policies and proposals to prepare Scotland for the challenges that we will face as our climate continues to change in the decades ahead. Relevant outcomes set out within the SCCAP include: Outcome 1: Our communities are inclusive, empowered, resilient and safe in response to the changing climate. Outcome 3: Our inclusive and sustainable economy is flexible, adaptable and responsive to the changing climate. Outcome 4: Our society's supporting systems are resilient to climate change.	The Green Freeport could have the opportunity to significantly contribute to climate change resilience initiatives.

Legislation/Policy	Summary	Alignment with Decarbonisation Plan
	Outcome 6: Our coastal and marine environment is valued, enjoyed, protected and enhanced and has increased resilience to climate change.	
National Planning Framework 4 (NPF4)	The four overarching principles are: 1. Sustainable places – where we can reduce emissions and restore and better connect biodiversity. 2. Liveable places – where we can live better, healthier lives. 3. Productive places – where we have greener, fairer and a more inclusive wellbeing economy. 4. Distinctive places – where we recognise and work with our assets.	The implications for the Highlands are through the Northern Revitalisation Action Area. Policy objectives are to strengthen networks of resilient communities, to stimulate green prosperity, to nurture nature-based solutions and to strengthen resilience and decarbonise connectivity.
Scotland's National Strategy for Economic Transformation	Sets out the priorities for Scotland's economy as well as the actions needed to maximise the opportunities of the next decade to achieve our vision of a wellbeing economy. The strategy sets out five policy programmes of action which aim to establish Scotland as a world-class entrepreneurial nation founded on a culture that encourages, promotes and celebrates entrepreneurial activity in every sector of our economy; strengthen Scotland's position in new markets and industries, generating new, well-paid jobs from a Just Transition to Net Zero; ensure that people have the skills they need at every stage of life to have rewarding careers and meet the demands of an ever-changing economy and society, and that employers invest in the skilled employees they need to grow their businesses.	The strategy has a significant focus on New Market Opportunities, to strengthen Scotland's position in new markets and industries generating new, well-paid jobs from the Just Transition to Net Zero. Future key industries include: Renewable energy, with Scotland enjoying a quarter of Europe's wind potential and home to globally leading businesses in tidal energy as part of a wider energy industry with strengths in the company base, financial capital, infrastructure, knowledge and knowhow; The hydrogen economy, with vast generation potential of renewable hydrogen for the UK market and export markets; The blue economy, utilising the potential, and sustainable management of our ocean, sea and coastal resources.
Infrastructure Commission for Scotland	Established by Scottish Government to provide independent, informed advice on the nation's vision, ambition and priorities to create a 30-year infrastructure strategy to meet the country's future economic growth and societal needs. The Commission recognises that most of the underlying infrastructure that will be used in 30 years' time already exists today. It is therefore essential that these assets are most effectively and efficiently utilised, maintained and enhanced to Net Zero carbon readiness.	In alignment with NPF4, ICFGF will liaise with the Commission to optimising value for money of existing infrastructure whilst seeking to expedite the new infrastructure required, e.g. major upgrades to the on and offshore high voltage electrical network.
Scotland's Draft Energy Strategy & Just Transition Plan	The draft Energy Strategy and Just Transition Plan sets a vision for Scotland's energy system to 2045 and a route map of ambitions and actions that, coupled with detailed sectoral plans and the forthcoming Climate Change Plan, will guide decision-making and policy support over the course of this decade.	With ScotWind projects alone expected to generate 118,000 direct FTE years employment, added to that the INTOG leasing round, the Green Freeport, the potential of green hydrogen, new onshore wind development and the

Legislation/Policy	Summary	Alignment with Decarbonisation Plan
		repowering of existing projects, the scale of the future skills demand is difficult to fully comprehend. Coupled with significant budget cuts at both further and higher education level, there is a genuine skills emergency looming which could be devastating for Scotland's ambitions around a Just Transition to Net Zero.
Highland Council Programme – Our Future Highland	We are ambitious for the future of our environment and recognise the importance of accelerating our response to the pressing climate and ecological emergency. Aligned to this, there is huge potential for renewable energy development in the Highlands. Working with our partners, communities and the private sector, we will ensure that the Highlands secures lasting benefits from our renewable resources for generations to come. One of the Council's priorities for the next 5 years is: <i>A Sustainable Highland Environment and Global Centre for Renewable Energy. This will include accelerating our response to the climate and ecological emergency, making the most of the financial and environmental opportunities arising from the huge renewable energy potential in the Highlands.</i>	Through its programme, the Council has committed to; investing in commercial renewable energy opportunities to generate income streams for the Council; capitalising on our areas of immense natural capital to deliver alternative energy solutions including development of solar, hydrogen, hydro and wind solutions.
Highland Council Corporate Plan	The council has committed in its Corporate Plan to contributing to the outline and full business case development for the Green Freeport.	The Council has committed in its Corporate Plan to contributing to the outline and full business case development for the Green Freeport.
Highland Council Highland-wide Local Development Plan (HwLDP) / Inner Moray Firth Local Development Plan (IMFLDP)	The vision for the Inner Moray Firth area is set out in the Highland-wide Local Development Plan (HwLDP) adopted in April 2012. The vision is summarised below: By 2030, the Inner Moray Firth will: • have increased the number of jobs, people and facilities; • have a growing City; • have safeguarded and enhanced its special places; • have made it easy for people and wildlife to move about through a green network; • have more efficient forms of travel; • have resolved its infrastructure constraints; • have diversified its economy; and • be regenerated and renewed.	The Green Freeport can directly support a number of the general policies as set out within The Highland Council's Inner Moray Firth Local Development Plan, including policy 2 (delivering development). The Plan also sets out an ambition for the IMF area to be "the beating industrial heart of the Highland economy, with development of the fabrication industry at Nigg, Invergordon and Highland Deephaven as focal points for subsea and renewables projects."

Legislation/Policy	Summary	Alignment with Decarbonisation Plan
	The Local Development Plan sets out the land use strategy for delivering this vision. The Spatial Strategy aims to concentrate development on existing settlements, create sustainable new communities, provide the infrastructure and transport network required to support these communities whilst ensuring the area's most valuable built and natural assets are protected.	
Highland Council Local Transport Strategy – Draft Case for Change	The Case for Change report is the first stage in the process of preparing the next Local Transport Strategy for the Highlands. It explains the current transport context in the Highlands and identifies the transport problems faced and current opportunities that exist; these are highlighted as Key Findings at the start of the report. Based on this analysis, the report proposes high-level outcomes for transport, Transport Planning Objectives.	A significant increase in transportation activity will occur in the region along with increased carbon emissions.
Highland Council Net Zero Strategy	This Strategy sets out the Council's approach to addressing the climate emergency and contributing towards Scotland's national legally binding target to become Net Zero by 2045. Highland Council will adopt the Scottish Government's Net Zero by 2045 target, aiming to achieve this sooner, The Route map to Net Zero included in this Strategy also sets out key interim targets to reduce emissions by at least 75% by 2030 and at least 90% by 2040.	The Green Freeport brings a significant investment into the Region with the accelerated commercial growth comes the potential for increased carbon emissions. The freeport would seek to have all businesses operation within the Freeport boundary align with both the Regional and National targets for introducing sustainability into their operations.
The Ten Point Plan for a Green Industrial Revolution	The Ten Point Plan sets out the approach government will take to build back better, support green jobs, and accelerate our path to Net Zero.	The Green Freeport can directly support the UK government's Ten Point Plan transforming the ICF region that once flourished for oil and gas into a centre for green innovation and a dedicated manufacturing sector for floating offshore wind and green hydrogen, supporting direct and indirect green jobs and contributing to the just transition to Net Zero.
Net Zero Strategy: Build Back Greener	This document sets out clear policies and proposals for keeping us on track for our coming carbon budgets, our ambitious Nationally Determined Contribution (NDC), and then sets out our vision for a decarbonised economy in 2050.	The Green Freeport aims to achieve a Carbon Payback outcome from 2032-33.
Powering Up Britain – The Net Zero Growth Plan	This document sets out how the Department for Energy Security and Net Zero aims to enhance the UK's energy security, seize the economic opportunities of the transition, and deliver on our net zero commitments. This plan: 1. Responds to the expert recommendations made in the Independent Review of Net Zero, chaired by Chris Skidmore MP.	The ICFGF has the potential to play a significant role in the just transition to Net Zero, with the operational capacity deployment of 5GW of Offshore Wind and 1.05GW of green hydrogen production by 2035.

Legislation/Policy	Summary	Alignment with Decarbonisation Plan
	2. Sets out the actions we will take to ensure the UK remains a leader in the Net Zero transition, by ensuring we drive investment into key green industries like offshore wind, CCUS, and nuclear. 3. Acts as our annual update against the Net Zero Strategy, both on a national and local level. 4. Responds to the Climate Change Committee's (CCC) Annual Progress Report in 2022. 5. Sets out the package of policies and proposals that will help us to meet carbon budgets up to Carbon Budget 6 in 2037.	
Green Scotland Strategy	Areas of focus on the £100m Green Jobs fund, investment in 'green' apprenticeships and green skills, and £60m in manufacturing, energy transformation and low carbon infrastructure.	Supporting this strategy, the Green Freeport can bring year-round, long-term and stable direct employment opportunities in the renewable energy, life sciences and marine technology sectors.
Scotland's Offshore Wind Policy Statement	Published in 2020, this statement indicated Scotland's future ambition for floating offshore wind aiming to achieve 8-11GW of offshore wind in Scottish waters by 2030.	ICFGF seeks to support the deployment of circa 35GW of ScotWind Round 1 and INTOG offshore wind generation by 2035.
The UK's Offshore Wind Sector Deal	Outlines a target of at least 30GW operational by 2030 providing over 30% of UK electricity.	The ICFGF has operational capacity deployment of 5GW of Offshore wind by 2035, a significant proportion of the UK's outline target of 30GW.
UK Hydrogen Strategy	Ambition of 5GW low carbon hydrogen production by 2030 to help the UK meet its Net Zero ambitions.	The ICFGF has 1.05GW of green hydrogen production capacity by 2035, substantially contributing to the UK's ambition in low carbon hydrogen.
Scottish Government's Hydrogen Policy Statement	Outlines the potential contribution of hydrogen to achieve Net Zero in Scotland, highlighting the support for strategic growth of a hydrogen economy, and the key potential of large-scale hydrogen production from offshore wind.	The Green Freeport has the capability to significantly contribute to the green hydrogen economy, directly supporting this ambition.

Green Freeport projects overview

The North of Scotland Transmission electrical grid currently has 8GW of renewable power connected which is anticipated to rise to 22GW by 2030, significantly exceeding the 1.5GW current regional power demand. Thus, when 8GW capacity is at full generation the latter is either curtailed or the existing electrical grid infrastructure moves the electrons south. This presents the Green Freeport with two significant opportunities to deliver:

- the development of the fixed and floating offshore wind supply chain to enable the planned ScotWind (30GW) and INTOG (5GW) projects; and
- the creation of a major electrical load centre through Power-to-X (PtX), which reduces the electrical network upgrade requirements to the existing major power demand centres of the industrial clusters in Teesside, Humberside and Merseyside.

Tax and custom site measures are expected to encourage various investors to develop large scale renewable energy projects. The evidence of this has already been demonstrated, and the following are some of the many projects planned for ICFGF and the surrounding area (subject to Green Freeport status):

- Sumitomo Electric Industries is intending to develop a high voltage cable manufacturing plant at the Port of Nigg;
- Storegga and ScottishPower are jointly developing the Cromarty Hydrogen Project, an onshore renewables focused regional hydrogen hub expected to scale up from a 30MW Phase 1 north of Alness by early 2026 to 300MW capacity by end of Phase 4 by end 2030;
- A serial manufacturing facility for floating offshore wind structures and a mobile quayside is expected to be built at the Port of Cromarty Firth, and the largest upcoming offshore wind tower manufacturing facility is expected to be built at the Port of Nigg;
- Storegga are leading the development of [REDACTED]

English Freeport programmes have also provided evidence of the attraction of green investments into designated tax sites. Existing renewable activities in English Freeports have ranged from offshore wind hubs, hydrogen production and distribution networks, and marine energy parks.

Enabling mechanisms

Strategically, ICFGF's role will extend to facilitating businesses within the Green Freeport to support the delivery of the Decarbonisation Plan – essentially, the headline objectives stated in section 1.2 - as well as accelerate the achievement of relevant Net Zero goals. Initial focus will centre on supporting developers and investors on tax sites.

ICFGF Ltd is not in a position to prescribe specific activities relating to the decarbonisation of activities on tax sites being undertaken by third parties. Responsibility for this remains with the individual landowners, investors and developers.

Nonetheless, ICFGF is committed to using the tools it does have available to it to achieve its decarbonisation ambitions. The primary mechanism for this is the ICFGF Net Zero & Sustainability Charter. ICFGF will request that all landowners and tax site end users sign up to the Charter which will be a pledge to helping the Green Freeport, and the wider region, achieve its Net Zero targets.

If the funding and resource is available, there is more that ICFGF Ltd could potentially do in relation to the decarbonisation of tax site activities. This could include:

- Providing tailored support to new and existing landowners and tax site end users to develop a pathway to Net Zero for their respective activities.
- Applying the carbon management principles outlined PAS 2080:2023 to all activities conducted within the Green Freeport, becoming a pathfinder project to demonstrate PAS2080 implementation in a freeport context and on a Scottish project of this scale.
- Monitoring tax site activity against the Green Freeport's i) pathway to Net Zero requirements and ii) Four UN Sustainability Goals.
- Facilitating stakeholders to develop shared support materials such as case studies, guidance notes, shared learning workshops and peer reviews.

Where appropriate ICFGF tax site operations may seek capital grant funding support through, for example, the Scottish Industrial Energy Transformation Fund and Low Carbon Manufacturing Challenge Fund, renewable power Contracts for Difference (CfD), the Net Zero Transition Fund and the Hydrogen Production Business Model. ICFGF will provide support, where appropriate and requested, to partners bidding for such funds.

Implementation

Decarbonisation

ICFGF Decarbonisation Plan objective #1: Decarbonisation of ICFGF activities, and how this will be managed and monitored.

As part of the FBC submission, the carbon assessment conducted at OBC stage has been built upon, to reflect the current understanding of the emissions associated with the ICFGF's control and influence. The process described below indicates how this been conducted at this stage.

The assessment will cover aspects of "Control" and "Influence".

- **Control** encompasses the impact of operations within the tax sites. Thus, a) the energy related emissions of current operations; and b) Construction emissions covering both embodied and operational emissions associated with the new capital projects / operations established within the Tax Sites.
- **Influence** encompasses both avoided emissions associated with activities occurring directly within the ICFGF tax site boundaries i.e, the several small and GW scale PtX facilities which will be hosted within tax and customs sites, and the wider net consequence / impact of tax site activity, i.e., enabled deployment of ScotWind and Power-to-X (PtX) projects. The ICFGF tax sites seek to enable the deployment of gigawatts (GW's) of Floating Offshore Wind in the outer Moray Firth and beyond. For hydrogen and PtX production, the FBC estimate only includes the influence emissions for the hydrogen activities occurring directly within the tax sites rather than the wider influence, so is likely to be an underestimate of the beneficial influence on emission reduction.

Construction and operational carbon emissions

ICFGF Decarbonisation Plan objective #8: Quantify carbon emissions associated within the control and influence of ICFGF

Given the current development stage of the Green Freeport, tax sites are at different stages of development and information pertinent to conducting carbon assessments is varied across tax sites and individual projects. As a result, to assess the capital and operational carbon emissions associated with Green Freeport activities a multi-tiered approach has been taken, based on the level of data available at the time of assessment.

A prioritised, tiered approach has been taken to ensure that the best available data was utilised for each tax site and all emissions associated with the operations and construction occurring within the Green Freeport were quantified. Given the tailored approach, based on best available data, the emissions reported within Annex E should be used to provide a sense of scale of the Green Freeport's emissions and not a definitive

estimate. It is envisaged that as projects progress, the level of data for the tax sites will become more granular allowing for bottom-up carbon assessments to be conducted for all Green Freeport activities.

Prioritised approach to capital and operational carbon assessment

Capital carbon, the emissions associated with the creation, refurbishment, and end of life of an asset, and operational carbon, the emissions associated with the operation of an asset, have been assessed using the following approach (Highest to Lowest Priority):

Table 64: Assessment methodology

Prioritised approach methodology	Description
Priority 1: Existing carbon assessment	Where a capital and operational carbon assessment has already been undertaken by tax site owners, and the assessment scope and method calculations are deemed appropriate.
Priority 2: Bottom-up carbon assessment	Assessment using activity data (material types and quantities, forecasted energy usage) provided by tax site organisations and industry recognised carbon emission factors
Priority 3: Benchmark carbon assessment	Assessment applying relevant carbon emission benchmarks to high-level metrics such as area, activity type etc. provided by the tax site landowners.

For each tax site, a combination of the approaches outlined above have been used across the projects due to the differing stages of development. Emissions have been summed by organisation to present their estimated emissions over the lifetime of the projects. In some cases, organisations have been grouped together due to their anticipated collaboration across tax sites – i.e., Storrega and The Highland Council.

Carbon assessment results

The carbon emissions associated with the capital and operational activities of each tax site are presented in this section and summarised in Table 3 and 4. As previously outlined, the maturity of plans on each tax site is highly variable, therefore, a variety of both granular and high-level assumptions have been made across tax sites in order to quantify emissions. Further, due to the variability of plans, the confidence in estimates varies between tax sites. As such, a confidence rating has been assigned to the results contained within this section as follows:

- **High:** Where there is high confidence that quantified emissions will accurately reflect as-built emissions based on existing information enabled through a priority 1 and 2 carbon assessment.
- **Medium:** Where there is medium confidence that quantified emissions will accurately reflect as-built emissions based on existing information enabled through a priority 3 carbon assessment.
- **Low:** Where there is low confidence that quantified emissions will accurately reflect as-built emissions due to limited existing information and tax site plans. In such cases emissions have been quantified using high-level assumptions.

Table 65: Tax site “control” carbon confidence rating

Capital carbon results

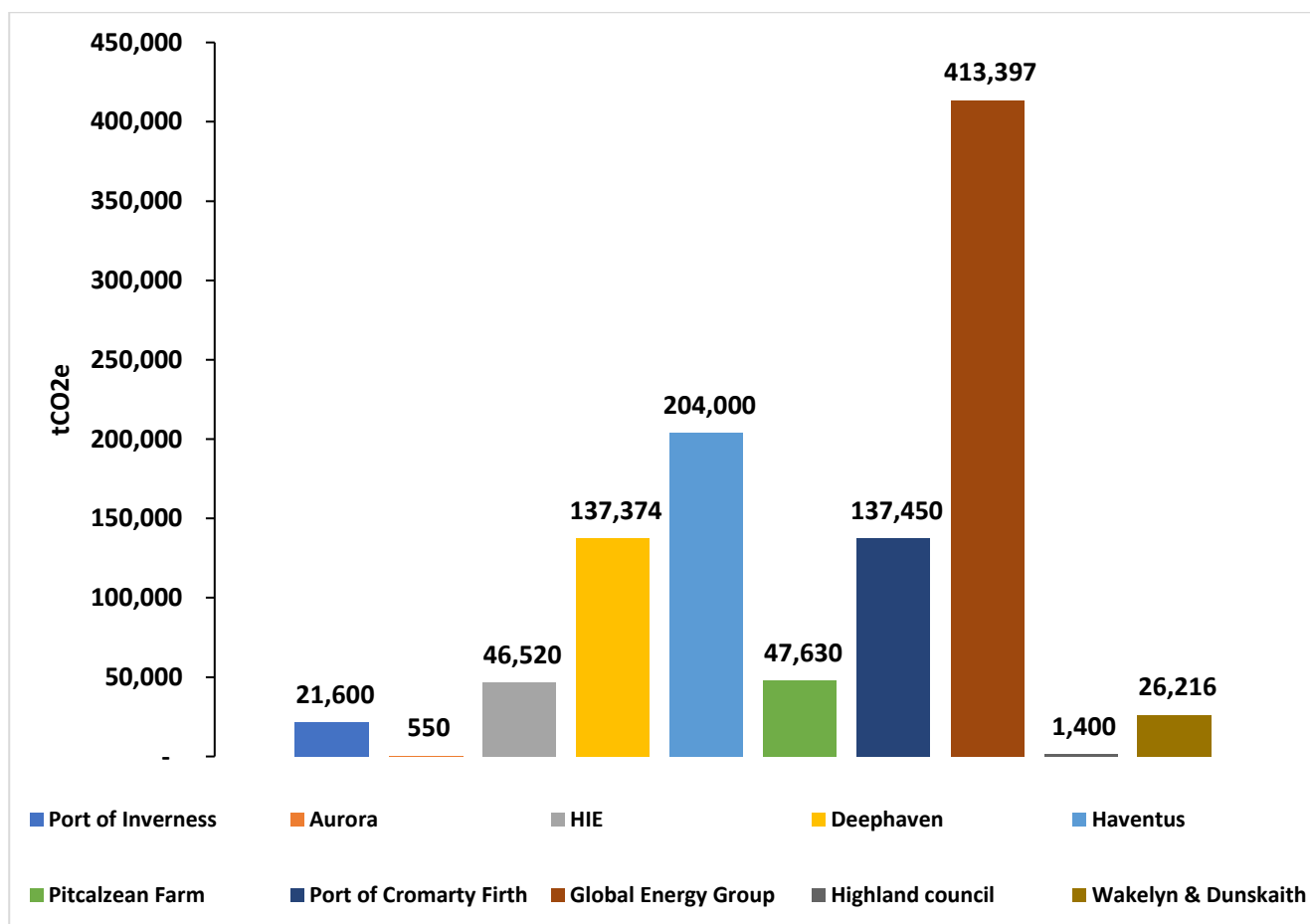
Based on current information, the total capital carbon emissions across the entirety of ICFGF is currently forecast at 1,010 ktCO₂e, this is summarised on a tax site and yearly basis in Table 3. In years where no emissions are forecast, this is because construction works are not underway. The majority of the quantified emissions are expected to arise from the embodied emissions of the materials used in construction.

Table 66: ICFGF tax site capital carbon emissions

Year of operation	Capital emissions (tCO ₂ e)*										Total
	Port of Inverness	Aurora	HIE	Highland Deephaven	Haventus	Pitcalzean Farm	Port of Cromarty Firth	Global Energy Group	Highland Council	Wakelyn & Dunskait	
2024		330			59,670			65,582			125,582
2025	6,050	60	1,050		8,330			213,841			229,331
2026	5,270	20	3,610		119,320	12,110	9,790	39,925	910		190,955
2027	5,580	20	7,570	14,730	16,680	17,760	6,020		490	3,277	72,127
2028	4,700	20	8,000	55,420		17,760	34,370	1,192		3,277	124,739
2029		20	4,390	740			75,270			3,277	84,237
2030		20	4,390	15,750			3,970	54,348		3,277	82,29
2031		20	4,390	47,430			7,280	38,509		3,277	101,446
2032		20	3,290	660			750			3,277	7,997
2033		20	3,290	160						3,277	6,747
2034			1,640	160						3,277	5,077
2035			1,640	660							2,300
2036			1,640	660							2,300
2037											
2038				502							502
2039				502							502
2040											
Total	21,600	550	46,520	137,370	204,000	47,630	137,450	413,400	1,400	26,220	1,009,920

*Rounded to nearest 10 tonnes CO₂e

Figure 18: Tax site total capital carbon emissions



Operational carbon results

Based on existing information, forecast operational emissions are presented in Table 4. Where operational emissions are forecast to increase, this is due to projects coming online and resulting in an increase in emissions. In the case of Pitcalzean farm, as it is a greenfield site, no emissions are forecast until construction work begins and employees commute to site. Where operational emissions decrease on an annual basis, this is due to the forecast decarbonisation of the UK's electrical grid in line with DESNZ's Treasury Green Book marginal emission factors, however other emissions, such as fuel and gas use, remain constant.

Table 67: Tax site operational carbon emissions

Year of operation	Capital emissions (tCO ₂ e)*										Total
	Port of Inverness	Aurora	HIE	Highland Deephaven	Haventus	Pitcalzean Farm	Port of Cromarty Firth	Global Energy Group	Highland Council	Wakelyn & Dunskaith	
2024	36	40	0	3	6,293	0	395	2,884	81	0	9,732
2025	32	54	0	2	6,952	0	310	23,458	81	0	30,889
2026	34	54	3	19	18,143	1	287	20,880	81	0	39,502
2027	34	54	9	14,756	18,933	833	1670	17,635	81	188	39,463
2028	40	55	21	55,768	18,611	829	5896	25,720	101	413	52,034
2029	44	56	28	1,720	18,286	1,251	6024	23,178	101	631	50,579
2030	43	56	252	16,887	18,150	969	6853	22,107	101	849	50,517
2031	57	57	249	48,684	17,889	957	6819	20,067	101	1,057	48,507
2032	54	58	242	1,751	17,598	944	6772	17,789	101	1,257	45,906
2033	51	57	235	1,354	17,375	931	6631	16,046	101	1,454	44,075
2034	49	57	230	1,346	17,208	919	6,553	14,734	101	1,649	42,686
2035	48	56	230	1,861	17,184	911	6,573	14,544	101	1,679	42,527

Year of operation	Capital emissions (tCO ₂ e)*										Total
	Port of Inverness	Aurora	HIE	Highland Deephaven	Haventus	Pitcalzean Farm	Port of Cromarty Firth	Global Energy Group	Highland Council	Wakelyn & Dunskaith	
2036	47	56	230	1,871	17,167	902	6,423	14,411	101	1,670	42,218
2037	45	56	713	1,196	17,124	891	6,490	14,077	101	1,658	42,351
2038	44	55	706	1,705	17,110	880	6,447	13,964	101	1,646	42,156
2039	42	55	696	1,707	17,074	867	6,392	13,687	101	1,632	41,751
2040	41	54	689	1,183	17,048	853	6,336	13,482	101	1,617	41,404
2041	39	53	684	1,162	17,023	838	6,275	13,289	101	1,601	41,065
2042	37	52	682	1,140	16,998	822	6,211	13,089	101	1,584	40,716
2043	34	52	673	1,115	16,820	799	6,090	11,700	101	1,554	38,938
2044	32	51	671	1,090	16,799	781	5,946	11,534	101	1,536	38,541
2045	30	50	670	1,065	16,779	763	5,952	11,379	101	1,517	38,306
2046	28	49	669	1,039	16,774	746	5,887	11,334	101	1,500	38,127
2047	25	48	664	1,014	16,695	726	5,797	10,719	101	1,477	37,266
2048	23	47	663	990	16,690	709	5,736	10,680	101	1,460	37,099
2049	21	47	660	966	16,628	691	5,657	10,190	101	1,439	36,400
2050	19	46	654	944	16,602	675	5,594	9,988	101	1,423	36,046
Total	1,029	1425	11,223	162,338	445,953	20,488	146,016	402,565	2,647	32,490	1,088,800

*Rounded to nearest ton CO₂e

Figure 2 displays the cumulative operational emissions across the ICFGF. As previously described, emissions peak in 2028 at 52 ktCO₂e then gradually decrease to 36 ktCO₂e in 2050. This decrease in emissions is attributable largely to the decarbonisation of the UK's electrical grid.

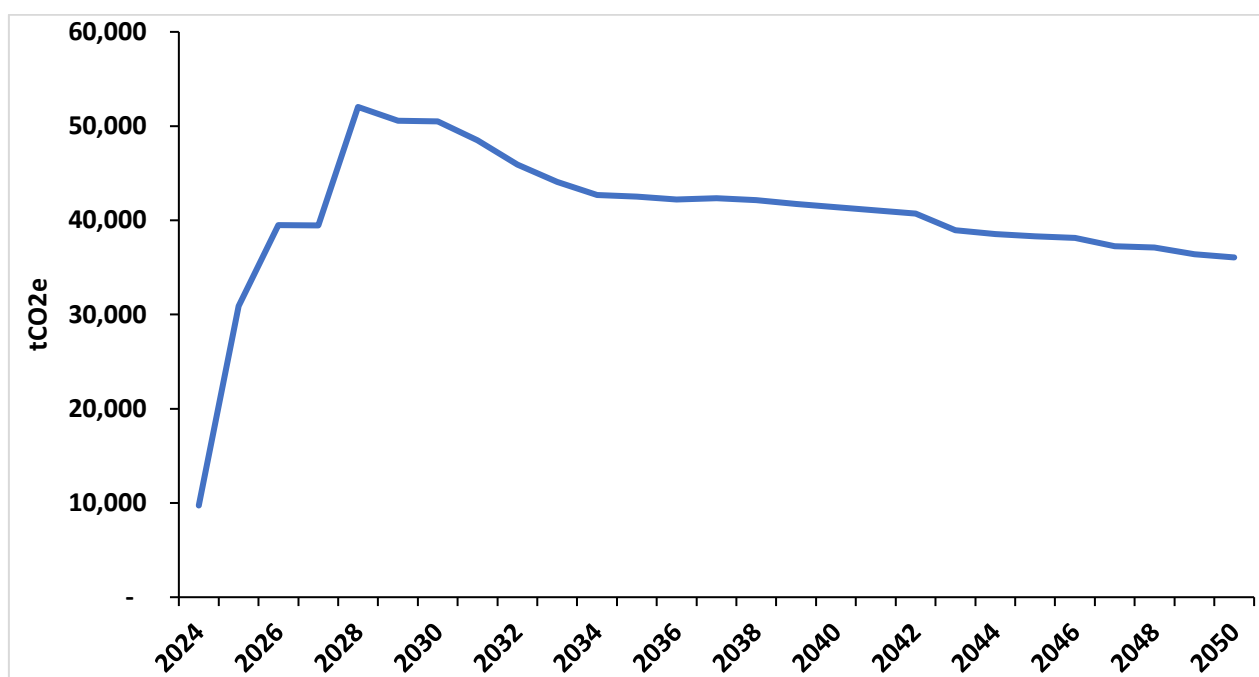


Figure 19: Tax site annual operational emissions

Carbon influence

ICFGF Decarbonisation Plan objective #8: Quantify carbon emissions associated within the control and influence of ICFGF

Displacement of grey hydrogen

The Green Freeport activities will also influence carbon savings through the creation of PtX facilities within tax and customs sites.

Carbon savings are expected to occur via the displacement of grey hydrogen and its derivatives, created from natural gas or methane, with green hydrogen, created from renewable energy sources. Given the Green Freeport's facilitation of offshore wind production, renewable energy within the region which will not be directly used to displace the UK's current grid mix will be readily available to supply PtX facilities and the production of green hydrogen.

Two facilities occurring within the tax site boundaries have been accounted for in the "influence" estimate, although further projects are anticipated to be enabled by the GF over time:

- Cromarty Hydrogen Phase 2 Site 2, 50MW Electrolyser Facility at the Longman Site– 50MW of green hydrogen production
- Confidential ICFGF Project, 1GW Electrolyser Facility – 1GW of green hydrogen production

The following assumptions have been made:

- The operations at the Longman Site will begin in 2028 and have been estimated until 2050.
- The operations at the Confidential Site will begin in 2029 and have been estimated until 2050.
- 95% Plant Availability, 70% Electrolyser Efficiency and 85% Temporal Compliant Power Load Factor have been assumed for all scenarios, resulting in an estimated effective output of 57%.
- Emissions associated with grey hydrogen will not decrease over time.

Based on the results of the assessment, it has been estimated that the 50MW, Longman site would avoid 1.03 MtCO₂e and the 1GW, Confidential site would avoid 17.50 MtCO₂e until 2050. The results of the assessment are outlined in Table 5.

Table 5: Low and high avoided emissions scenarios via grey hydrogen avoidance

Scenario	Annual avoided emissions (MtCO ₂ e)	Cumulative avoided emissions (MtCO ₂ e) by 2050
Longman Site - 50MW	0.05	1.03
Confidential - 1GW	0.813	17.50
Total	0.818	18.53

The avoided emissions occurring directly within the ICFGF's tax site boundaries would contribute significantly to reducing Scotland's emissions and support the ICFGF's journey to net zero emissions. Based on Scotland's current total emission limit of 1,240 MtCO₂e in the period 2010-2050, outlined in the Climate Change (Scotland) Act, the green hydrogen activities occurring within the ICFGF site could potentially avoid up to ~1.5% of Scotland's total emission budget.

It is noted that the above estimates include the hydrogen generated within the tax sites, however, it is predicted there will be a wider beneficial influence from hydrogen production enabled by the Green Freeport's activities which will support the production of offshore wind. For example, the Hylander Project currently being developed by Storegga which has the ambition to construct a major P-t-X hub with 5000MW capacity by 2035.

Accelerated production of offshore wind

The activities within the GF tax and custom site boundaries have the potential to influence carbon emission savings through accelerated production of offshore wind generated by the deployment of GWs of floating offshore wind in the outer Moray Firth and beyond i.e., the deployment of ScotWind, where a target of 35GW capacity has been set for 2035. The GF's activities position it to contribute significantly to this target.

Carbon savings are expected to occur due to the generation of offshore wind displacing the United Kingdom's typical grid electricity mix, which includes energy produced via fossil fuels. Energy produced via renewable energy has an inherently lower emission footprint in comparison to those produced by fossil fuels.

Carbon reductions via offshore wind will be quantified by estimating the GW capacity enabled by the activities occurring within the Green Freeport's boundaries and quantifying the potential avoided emissions from grid electricity, accounting for grid decarbonisation, across the lifetime of the projects.

To calculate the emissions savings as a result of offshore wind, the DESNZ electricity, generation based, grid average emission factors was used to assess the resultant avoided emissions from switching from the average grid mix to renewable energy.

Two cases have been presented:

- Low Ambition Scenario – 5GW of offshore wind energy generation
- High Ambition Scenario – 7GW of offshore wind energy generation

The following assumptions have been made for both cases:

- The High Ambition Scenario was assumed to influence 20% of ScotWind's 35GW capacity target.
- The Low Ambition Scenario was assumed to influence 14% of ScotWind's 35GW capacity target.
- The operations will begin in 2030 have been assessed until 2050.
- 95% Plant Availability and 47% capacity factor have been assumed for all scenarios.
- The grid is assumed to decarbonise over time in line with DESNZ electricity emission factors.
- Embodied carbon associated with the manufacture of wind turbines and with grid decarbonisation have not been accounted for in the assessment to allow for a fair comparison.

Based on the results of the assessment it is estimated the worst-case scenario and best-case scenarios would avoid ~ 6.4 MtCO₂e and ~9 MtCO₂e respectively, via renewable energy displacing the average UK grid mix. Given the anticipated decarbonisation over time, the greatest avoided emissions would occur during the earlier years of operation. Table 6 and Figures 3 & 4 below outlines the yearly emissions avoided for both scenarios.

Table 6: Low and high ambition avoided emissions via offshore wind influence

Year	Low Ambition (5GW) Avoided emissions tCO ₂ e*	High Ambition (7GW)
2030	883,780	1,237,320
2031	744,720	1,042,600
2032	586,520	821,120
2033	465,510	651,710
2034	374,440	524,210
2035	361,190	505,670
2036	352,010	492,820
2037	328,820	460,350
2038	320,960	449,350
2039	301,740	422,440
2040	287,500	402,490
2041	274,060	383,690
2042	260,190	364,270
2043	163,740	229,240
2044	152,190	213,060
2045	141,470	198,060
2046	138,350	193,690
2047	95,600	133,850

Year	Low Ambition (5GW) Avoided emissions tCO ₂ e*	High Ambition (7GW)
2048	92,930	130,100
2049	58,910	82,480
2050	44,850	62,790
Total	6,429,490	9,001,290

*Rounded to the nearest 10 tonnes

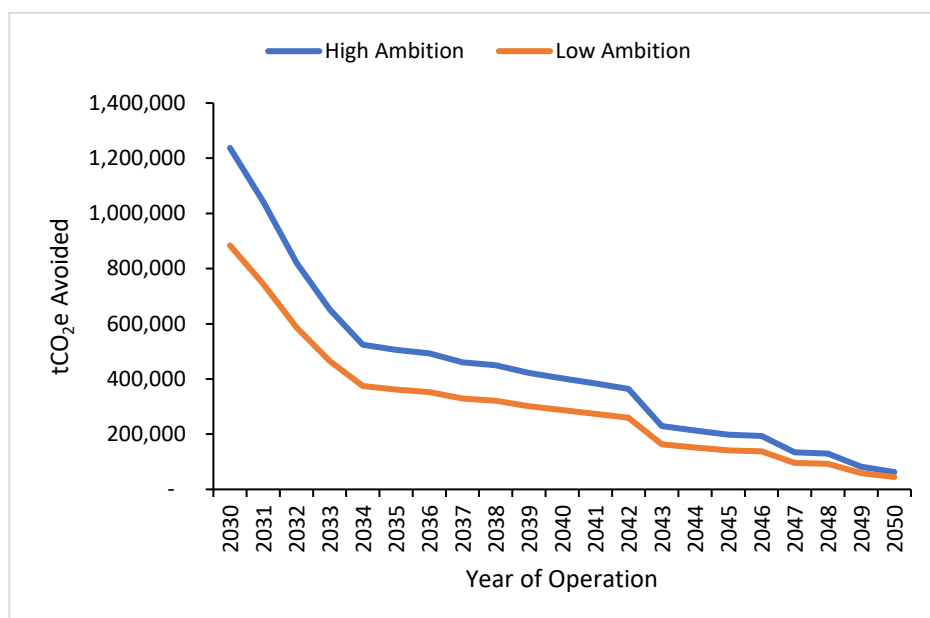


Figure 20: Annual “influence” avoided emissions

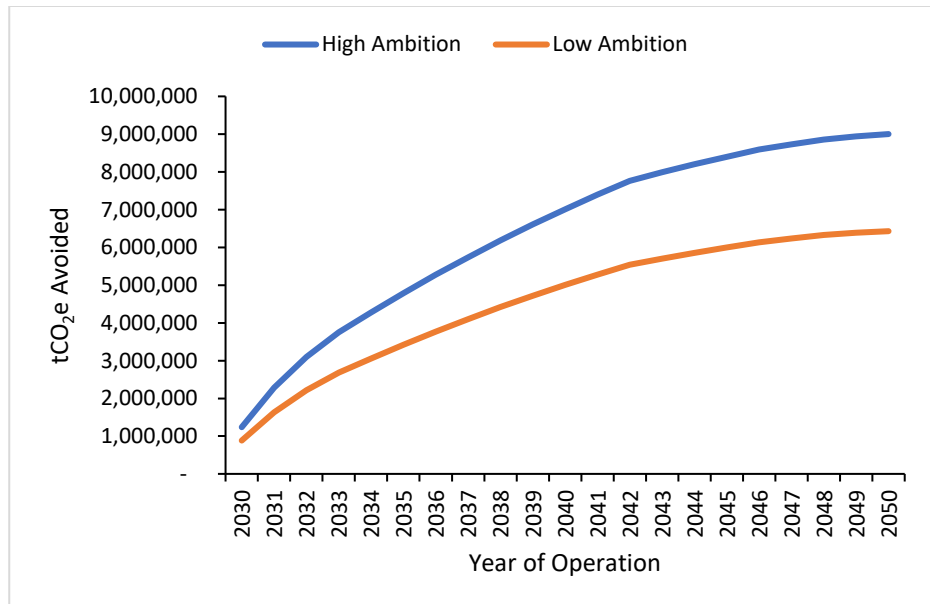


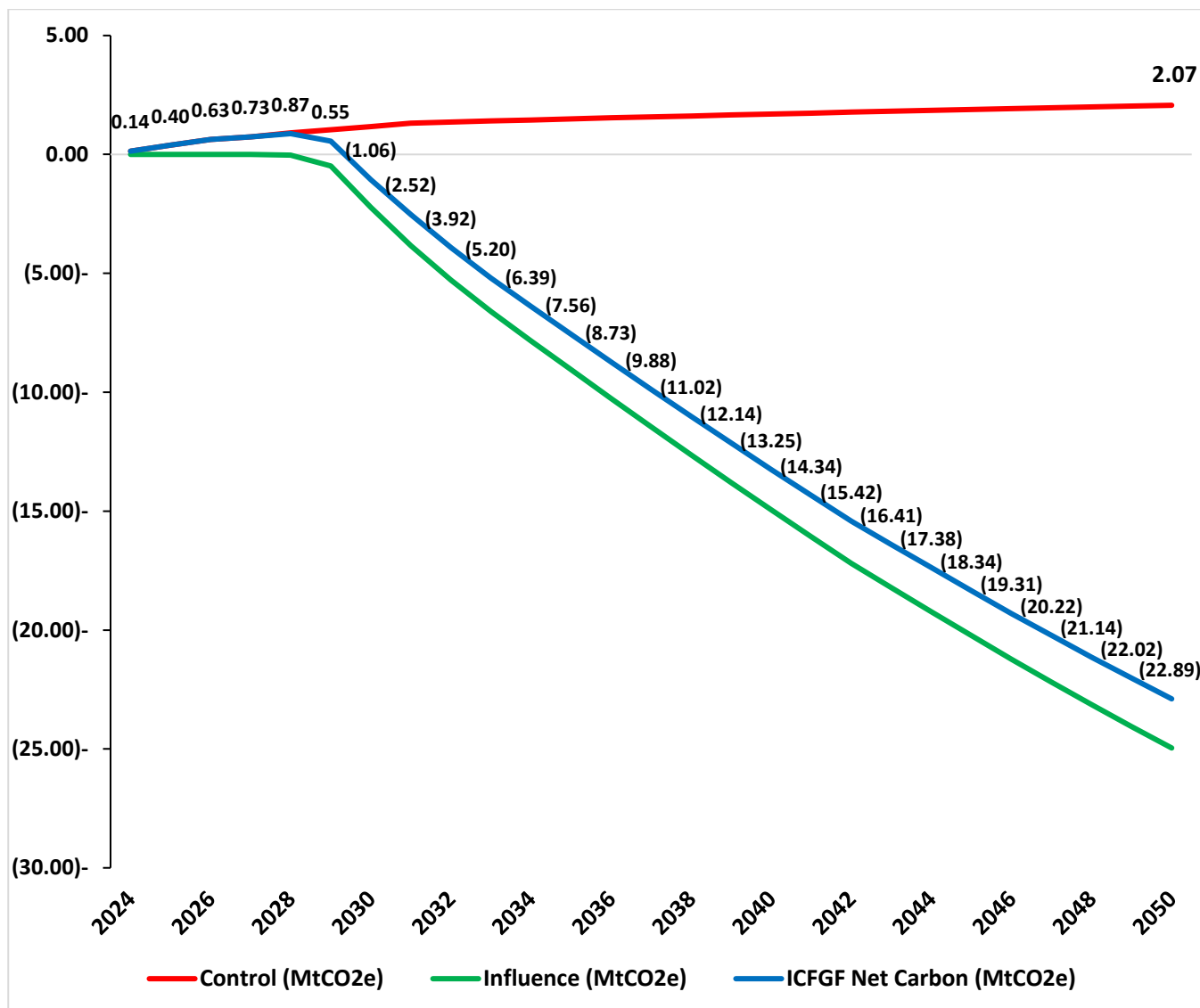
Figure 21: Cumulative “influence” avoided emissions

The results of the assessment highlight the significant influence the ICFG’s activities will have in supporting the shift from traditional fossil fuel sources to renewable energy. Based on Scotland’s current total emission limit of 1,240 MtCO₂e in the period 2010-2050, outlined in the Climate Change (Scotland) Act, offshore wind generation supported by the ICFG could potentially avoid between 0.52% - 0.73% of Scotland’s total emissions budget.

Carbon payback

The results of the carbon assessment indicate the carbon payback year will occur by 2030. However, there are some uncertainties in the estimates, projects may be subject to delays which can impact start and end dates and there are significant dependencies outside the control of ICFGF such as major projects receiving consent or grid connection. For these reasons we propose to set a target of 2035 to achieve carbon payback. During the initial years of construction, 2024 – 2027, there is estimated to be an increase in emissions of ~734 ktCO₂e associated with the activities within the GF's control i.e., capital and operational emissions. As P-t-X facilities become operational within the tax site in 2028, the avoided emissions as a result of hydrogen production are expected to payback the upfront control emissions. The influence of offshore wind supported by the ICFGF's activities will accelerate the avoided emissions across the reporting period. Figure 5 below outlines the estimated control, influence and net carbon emissions of the ICFGF until 2050. The net carbon emissions, the sum of the control and influence emissions, are estimated to be ~22.9 MtCO₂e by 2050. This would avoid ~2% of Scotland's 2010-2050 national emission budget and highlights the significant emission reduction impact the GF and its associated activities could have within Scotland.

Figure 22 - ICFGF control, influence and net carbon emissions



Hydrogen offtake

Context

The ICFGF's carbon emission influence estimate includes the operational capacity deployment of around 1GW of green hydrogen production (Power-to-X) by 2035. Although it is not the responsibility of ICFGF to confirm offtake for Hydrogen supply, it is anticipated there will be demand from industry within the North of Scotland and the wider region.

As per the National Infrastructures Commissions analysis in the Second National Infrastructure Assessment²⁶ that there is no public policy case for hydrogen to heat individual buildings. It is not anticipated that the Hydrogen produced within the green freeport's boundaries will be used for this purpose.

Within the region, the Cromarty Firth is already recognised as a hydrogen hub by the Scottish Government within its Hydrogen Action Plan²⁷: "The North of Scotland Hydrogen Programme aims to develop a state-of-the-art hub to produce, store and distribute renewable hydrogen to the local area, the UK and Europe. There is a driving ambition for the region to become a hydrogen economy, with huge local demand for renewable

²⁶ National Infrastructure Commission (2023), *Second National Infrastructure Assessment*. Available online: <https://nic.org.uk/studies-reports/national-infrastructure-assessment/second-nia/#tab-foreword> (accessed 17/04/24).

²⁷ Scottish Government (2022), *Hydrogen Action Plan*. Available online: <https://www.gov.scot/publications/hydrogen-action-plan/> (accessed 17/04/24).

hydrogen from distilleries, industry, transport.”. The Green Freeport’s location and planned operations provide it with significant opportunities to continue to support Scotland’s hydrogen ambitions.

Anticipated offtake

It is anticipated that the predominant production of hydrogen within the Green Freeport will be through Power-to-X. The ICFGF has an intended operational capacity deployment of 5GW of offshore wind by 2035, a significant proportion of the UK’s outline target of 30GW. Given the current grid capacity, potential offtake from offshore wind may come via molecules (power-to-X) as opposed to electrons. It is anticipated within the GF’s boundaries, ~1.05GW of P-t-X will displacing potential emissions associated with grey hydrogen. However, it should be noted that this is dependent on a number of factors out with the ICFGF’s control, including a significant shift in public policy on hydrogen production. ICFGF PtX operations have a number of potential opportunities to export hydrogen to the rest of the UK and Europe in various forms, e.g., ammonia, gaseous hydrogen, methanol etc.

The Scottish Government’s Hydrogen Action Plan sets out its ambition of 5GW of hydrogen production capacity by 2030 and 25GW by 2045. The north of Scotland is ideally placed to play a huge part in meeting this ambition due to the extent of offshore wind that is planned, the internal hydrogen demand (e.g. heavy industries, heavy transport and maritime fuels) as well as the external export opportunities. The targets are ambitious; however, the north of Scotland is well placed to play a significant role in meeting these targets and the ICFGF activities within this region have the potential to support these Scottish Governments targets.

Potential offtakers for hydrogen produced with Green Freeport’s boundaries include:

- **European demand**, the Net Zero Transition Centre’s (NTZC) Hydrogen Backbone Report²⁸ has proposed the construction of a marine hydrogen pipeline export route to mainland Europe. In the report, it is estimated that by 2050, based on Scotland’s hydrogen ambition, Scotland could provide up to 9.4% of the European Union’s import demand.
- **Sustainable aviation**, the Scottish Government has set an ambition for all internal passenger flights in Scotland to be Net Zero emissions by 2040. This will require hydrogen equipment refuelling to be in place at regional airports across Scotland such as Aberdeen, Campbeltown, Edinburgh, Glasgow, Inverness, Orkney, Shetland, Western Isles, and Wick.
- **Distilleries**, the Scotch Whiskey Association’s Scotch Whiskey Pathway to Net Zero Report²⁹ identifies potential 19% cut in emissions associated with operation from hydrogen. The north of Scotland has a significant number of distilleries – a large number connected to the gas grid and others that are off-grid reliant on fuel oils. While the decarbonisation of distilleries would theoretically favour electrification routes, the remote nature of many distilleries across the north of Scotland may favour hydrogen implementation that could benefit from on-site power sources that are otherwise hindered by grid limitations.
- **Ammonia**, in 2021, Russia was estimated to be responsible for ~20% of the global trade by sea of ammonia³⁰. Given recent developments in the region, the market is looking for security of supply from reputable, stable regimes. This provides the Green Freeport, and Scotland, with a potential significant route to market for offtake of green ammonia. In a scenario where 1GW of PtX was produced within ICF would deliver 4% of the Scottish target of 25GW of hydrogen capacity by 2045. It is estimated ~70% of ammonia is used to make fertilisers with a new, significant market emerging with ammonia used to decarbonise maritime fuels. Given recent closures of ammonia plants within the United Kingdom, including the UK’s largest plant in Teeside, production of green ammonia via P-t-X within the ICF site could be vital in ensuring stable fertiliser production continues within the country and reduces the

²⁸ NTZC (2022), *Hydrogen Backbone Link*. Available online: <https://www.netzerotc.com/projects/etf-european-hydrogen-backbone-link/> (accessed 18/04/24).

²⁹ Scotch Whiskey Association (2020), *Scotch Whisky Pathway to Net Zero*. Available online: [scotch-whisky-net-zero-report.pdf](https://www.scotchwhisky.com/media/default/2020/12/scotch-whisky-net-zero-report.pdf) (accessed 18/04/24)

³⁰ WITS (2021), *Ammonia; anhydrous exports by country in 2021*. Available online: <https://wits.worldbank.org/trade/comtrade/en/country/ALL/year/2021/tradeflow/Exports/partner/WLD/product/281410> (accessed 18/04/24)

electrical network upgrade requirements to the existing major power demand centres of the industrial clusters in Teesside, Humberside and Merseyside.

As outlined at the beginning of this section, it is not the responsibility of the ICFGF to confirm specific hydrogen offtakers but the evidence outlined above highlights the numerous opportunities within the North of Scotland and wider regions which could be potential sources of hydrogen offtake including ammonia production, heavy industry and heavy vehicle fuel and European exports.

Net zero governance

ICFGF Decarbonisation Plan objective #9: Employ a Net Zero governance framework by aligning to requirements of PAS 2080.

Context

Through its Net Zero and Sustainability Charter, the ICFGF and the tax site landowners have committed to achieving a number of Net Zero and Sustainability ambitions, as outlined in Annex 1.

ICFGF will provide regional leadership in its contribution to the national target of Net Zero by 2045. It will do this by being an exemplar of effective decarbonisation and embodying sustainable behaviours throughout Green Freeport activity.

As part of the tax site delivery agreement, all Green Freeport tax site landowners have signed up to the ICFGF's Net Zero & Sustainability Charter. The charter outlines a number of requirements landowners must adhere to in relation to net zero and sustainability, including that they shall:

- Conduct carbon management of all infrastructure projects within the tax site boundaries in accordance with PAS2080.
- Participate in initiatives and opportunities to accelerate decarbonisation of travel and transport in the region, from active travel to decarbonisation technologies across road and rail freight, and marine transport and logistics.
- Adopt sustainable procurement practices.
- Provide progress updates on delivering against national net zero targets on an annual basis (the results of which will be used to track the charter's effectiveness and may be publicised to promote progress and share learnings).

Governance arrangements, monitoring and evaluation

ICFGF intends to set up a Carbon and Sustainability Programme Management function that is responsible for coordinating activity around target setting, monitoring, evaluation and sharing best practice to influence wider ICFGF stakeholders. The level of ambition and support that the Programme Management function is able to deliver is dependent upon securing sufficient funding and resource, but the intention is to initially secure a three year support contract from a suitable qualified advisor to support the ICFGF staff on a biannual review of progress, with a detail annual statement to inform stakeholders and inform future decision making

The areas of key activity will include:

1. Setting smart targets for each of the 17 UN Sustainable Development Goals, against GF organisation's baseline data. KPIs will be produced for reporting on progress and to drive continual improvement towards the 2030 and 2045 deadlines.
2. Requesting annual progress reports from all signatories to the ICFGF's Net Zero & Sustainability Charter; and providing a standardised reporting template for harmonisation purposes.
3. Producing a collated annual Carbon and Sustainability Report for the freeport and publishing this or circulating to relevant stakeholders.
4. Organisation quarterly (tbc) coordination meetings with ICFGF stakeholders to share learnings and best practice for emissions reduction and sustainability.

5. Acting as a convener for cross-freeport energy master planning and initiatives which would help landowners and users to reduce their carbon.

Resourcing

The Carbon and Sustainability Programme Management function will be initially resourced through internal decarbonisation lead and supported via external expert resources as required.

A RACI matrix outlining the roles and responsibilities of ICFGF stakeholders, particularly in relation to PAS 2080 requirements has been outlined in Table 5 below.

Assigning appropriate net-zero governance responsibilities and actions will demonstrate ICFGF's capability for integrating carbon into decision making, particularly at the system level in line with the principles of PAS 2080. Effective governance is a foundational requirement for reducing whole life carbon ("WLC") throughout the value chain at all stages of a programme of work.

As such, the following table outlines the proposed actions required to align with PAS 2080 requirements for "implementing appropriate governance" as well as each stakeholder's responsibility in meeting the requirement. Should the actions proposed be adopted, ICFGF will be well placed to fulfil the requirements of a PAS 2080 aligned net-zero governance framework in line with Government feedback. This will have the end goal of ensuring whole life carbon is more effectively managed within ICFGF through the realisation of low-carbon opportunities. ICFGF has the opportunity to be a pathfinder project for implementing PAS2080 in a freeport context and as a Scottish project of this scale and magnitude.

Table 68: PAS 2080 RACI Matrix

PAS 2080 Requirement	Proposed Action	ICFGF	Board	Carbon and Sustainability PMO	ICFGF Landowners	Supply chain and external stakeholders
Align WLC impacts of any decisions made with the decarbonisation principles	- ICFGF will identify and assess activities that result in carbon emissions and removals both under control and influence. - ICFGF will continually ensure tax site activities align with the Net Zero and Sustainability Charter. - Ensure ICFGF activities facilitate a positive carbon impact.	A		R	A	I
Make carbon management underpin all projects and / or programmes of work	- ICFGF will identify and assess project and activity emissions and collaborate with the value chain and landowners to lower emissions. - Following initial emissions quantification, these will be updated annually to ensure alignment with Scottish government target of net zero by 2045. - Particular focus will be given to low carbon procurement given emissions are anticipated to be high during project and facility construction. - Ensure projects align with the Net Zero transition	A		R	A	I
Embed WLC into management processes, forming part of decision-making alongside cost, time and risk	Alongside assessing the risk and time of projects, ICFGF will assess whole life carbon and emissions displaced as part of the value added of projects	A		R	A	N/A
Define and establish roles and responsibilities for carbon management to promote the outcomes and behaviours required for decarbonisation	ICFGF lead will engage with landowners and their relevant decarbonisation SME to facilitate decarbonisation.	R		A	A	I

PAS 2080 Requirement	Proposed Action	ICFGF	Board	Carbon and Sustainability PMO	ICFGF Landowners	Supply chain and external stakeholders
Put in place roles and responsibilities for engagement with other value chain members and stakeholders so that system-wide opportunities and risks are identified and managed	- ICFGF will hold cross landowner meetings to track the progress of projects identified as having system level carbon reduction opportunities. - ICFGF will work with landowners to collaboratively identify carbon reduction opportunities both in construction and project operation.	A		R	R	R
Allocate resources to support the delivery of carbon management processes	Sufficient time will be allocated between ICFGF and landowners to assist in the deployment of their Net Zero plans, as well as to identify and realise carbon reduction opportunities across programmes of work.	A		R	R	C
Put processes in place to assess GHG emissions, identify carbon reduction opportunities, and implement them in projects and programmes	- ICFGF, as part of FBC, will assess GHG emissions under control and influence from stated projects, this assessment will be updated as projects progress and change on an annual basis. - Investments funded by Green Freeport seed capital, which are currently at OBC stage or earlier, will be reviewed at FBC to facilitate emissions reduction in order to support the ICFGF's Net Zero targets	A		R	I	C
Support implementation of low-carbon solutions	ICFGF will promote the deployment of renewable energy technologies within control such as stated hydrogen projects and influence operations such as facilitation of deployment of offshore wind supply chain facilities	A		R	R	C
Collaborate across the value chain, sharing expertise, knowledge, and data to drive decarbonisation across the industry	Work with suppliers and contractors to ensure they have stated carbon management plans and actively engage with them to implement	I		R	I	R
Improve business processes based on feedback from other value chain members	During engagement with stakeholders, ICFGF will identify and log barriers to low carbon solutions and work to overcome these barriers	A		R	I	I
Allocate senior management support to all decision-making that has a significant effect on carbon management	ICFGF will establish a Carbon and Sustainability Programme Management Office, resourced by an internal decarbonisation lead and external expert support as required.	R		R	N/A	N/A
Keep records in support of carbon management monitoring and reporting practices	- Track the progress of signatories of the Net Zero & Sustainability Charter, carbon assessment records and annual updates of carbon assessments. - Metrics such as CO₂e per CAPEX spend will be developed to determine the alignment of proposed activities and projects following OBC with the net zero transition.	I		R	R	C

Key: R – Responsible, A – Accountable, C – Consulted, I – Informed.

Skills & jobs

ICFGF Decarbonisation Plan objective #2: Increasing green economy jobs and skills base

This section of the Decarbonisation Plan complements the FBC Skills approach by focusing on the objective of increasing green economy jobs and the corresponding skills base.

ICFGF aims to ensure that:

- The necessary skills are available locally to support ICFGF investment and jobs;
- Local people, including disadvantaged groups, can access ICFGF jobs;
- ICFGF creates high-quality employment opportunities, attracting companies into the area.

To realise those objectives the Skills Plan sets out a 10-point plan which includes several activities pertinent to green economy jobs. Noting the huge contribution of ICGF's Carbon Influence on achieving Net Zero, it is vital to attract and upskill a diverse talent pipeline into long-term high-quality careers in the offshore wind and hydrogen sectors. The 10-point plan directly enables this by including activities to support and develop pathways to skilled green jobs; increase apprenticeship uptake and graduate recruitment; and prioritise employer co-designed STEM outreach activity and employer/school/college engagement.

A key component of delivering the Skills Plan in a Decarbonisation context is The PowerHouse. The PowerHouse is a skills development and research innovation acceleration function, operating within the umbrella of ICFGF Ltd, focused on the offshore wind and green hydrogen technologies. Its mission is to accelerate UK and global decarbonisation through advancing, industrialising and exporting Net Zero technologies and expertise. To support green jobs opportunities the PowerHouse's services and activities may include:

- Conducting online and in-person workshops for knowledge exchange, skills development, exploring skills and training provision gaps, and identification of research & innovation priorities in the offshore wind and hydrogen industries.
- Showcasing and signposting of training courses and certifications focusing on offshore wind and green hydrogen industries in areas where there are identified gaps through the PowerHouse network of training providers and academic organisations utilising their existing capabilities and expertise to support the reskilling and upskilling of the local workforce for Net Zero transition.
- Researching gaps and providing recommendations on the development/ modification of existing training provisions in the offshore wind and green hydrogen space.
- Conducting STEM engagement events/workshops to inspire future generations to work in renewable energy, increase creativity, and teach problem-solving skills.
- Connecting businesses and individuals who are interested to join the offshore wind and hydrogen industries with existing training providers to support reskilling and upskilling according to the supply and demand in market.

Green investment

ICFGF Decarbonisation Plan objective #3: Growing investment on Clean Growth/Net Zero technologies and supply chains

ICFGF will serve as a catalyst for green investment and job creation, attracting forward-thinking companies committed to sustainable solutions. By providing a supportive environment for research, development, and commercialisation of clean technologies, we will foster an ecosystem of innovation that enables the Highlands and Islands to become a global hub for clean energy, circular economy, and sustainable industries. Actions that should be taken to deliver this ecosystem of innovation include:

- early engagement with the Scottish Taskforce on Green and Sustainable Financial services to ensure the ICFGF 2023 Green Finance Strategy.
- collaboration and engagement with innovation funders to best understand key strategic projects that align with freeport potential.
- the Green Freeport offers the potential to cement the regions positioning within the clean energy sector the consortium is well placed to attract investors interested in multi sector developments: Development, Construction, Operation and Maintenance.

- development of circularity across the Green Freeport will open investment potential within the circular economy space.

ICFGF investment offers the opportunity to support projects, communities, and businesses to deliver positive environmental, economic, and social impact, including by:

- utilising the freeports purchasing position to demonstrate to local demand for local services,
- engaging with the local supply chain to establish current capability – strengths/weaknesses, and
- developing a community wealth building legacy that delivers positive social, environmental and economic outcomes ensuring a just transition for all.

ICFGF has the potential to lead on attracting funding initiatives to both existing and new business to the sites, support the supply chain in meeting the demands of transition at scale, and delivering a positive impact for local communities in terms of both mitigation and adaptation projects.

Stakeholder & communities engagement

ICFGF Decarbonisation Plan objective #4: Engaging and collaborating with local communities and stakeholders

ICFGF provides a unique opportunity to drive regional sustainability through a collaborative approach across multiple locations and operators. We can embrace the opportunities the Net Zero agenda presents while managing the risks arising from social, environmental, and economic factors.

ICFGF has two key circles of influence with which it will engage and influence the Net Zero agenda.

- internally, it will help those who operate from within the Green Freeport to do so with sustainability and decarbonisation as core values.
- externally, it will engage with the surrounding communities and other stakeholders most impacted by the Green Freeport proposition.

Increasingly external stakeholders have an expectation that operators within the Freeport boundary will develop a credible plan for achieving carbon neutrality.

ICFGF is committed to significantly reducing ICFGF's absolute carbon emissions across scopes 1,2 and 3 and establishing mechanisms for removing or offsetting more than the remaining amount on an annual basis.

Delivering sustainable ambition while embracing opportunities brought forward by the Net Zero agenda will instil confidence in stakeholders.

Community engagement is a key priority for ICFGF Ltd and is described in further detail in the FBC Management Case, designed to build the foundation for strong and trusting relationships to develop over time. The vision and plans for ICFGF have been shaped by a range of stakeholder consultation and engagements to date. It includes a wide range of input from across the private sector, public agencies and community engagement.

The review of the Inner Moray Firth Local Development Plan, which coincided with the bidding process, allowed for formal consultation on the plans and likely development implications, and is now at the final Examination stage. The wider implications and benefits of the Green Freeport will be the subject of wider discussion and engagement through the 'place-based' work being undertaken in Inverness and the Easter Ross areas that are likely to be most directly affected.

Inner Moray Firth communities are currently being supported by the Highland Council and other key agencies in preparing a community led place plan for the Black Isle where the implications of the Green Freeport are being actively discussed.

Key stakeholders from a decarbonisation perspective include those listed below.

Community	Commerce	Economic

Climate Action Towns e.g., Alness and Invergordon	Federation of Small Businesses	Consortium / Company Members
Local residents	Chamber of Commerce	Green Freeport users
Local community interest groups	Business leaders	The Highland Council
Community Councils	Innovation Hubs	Highlands & Islands Enterprise
Resident Groups	Businesses within the Green Freeport	NHS Highland
Schools	Investors	Naturescot
University of the Highlands & Islands	Training providers	Scottish Government
		UK Government

Key topic areas for future stakeholder engagement may include the following:

People and places:

- Improving health and wellbeing through the creation or enhancement of greenspace across our communities.
- Helping create more attractive, adaptive, and inclusive places in which we all live and work.

Economy:

- Creating greener neighbourhoods that are more attractive places to live work and do business for both current and future occupiers.
- By investing in local habitat maintenance, helping create long-term income opportunities providing certainty and creating jobs across a variety of sectors.

Nature:

- Enhancing existing and creating new habitat that contributes positively to nature recovery.
- Creating habitats which lets native species thrive and adapt to climate change.

Climate change:

- Engaging with local communities directly in climate related adaptation projects, including tree planting and maintenance.
- Engaging with landowners on climate mitigation through the restoration and protection of nature creating natural resource to take more carbon dioxide out of the atmosphere.

Potential barriers and design issues with the engagement process are identified in the table below.

Potential barriers	Potential design issues
Capacity of different stakeholders to engage	Engagement methods to be used
Community infrastructure	Accessibility to local groups
Competing community priorities	Need for independent facilitation
Rural/ urban considerations	Types of engagement events
Hard to reach groups: Younger Older Minority Excluded	Facilitating the needs of groups: Childcare Transport Interpreters Signers

Vulnerable	
Ability and capacity of stakeholders to digest and internalise large volumes of information	Format and content of communication

It is important ICFGF develops a consistent approach to engagement, understanding how each event or level of communication will assist in fostering a collaborative approach between the Green Freeport and its surrounding communities.

Sustainability

ICFGF Decarbonisation Plan objective #5: The wider demands of Sustainability, beyond just Decarbonisation, with reference to the UN Sustainability Development Goals

ICFGF's ambition for the future is grounded in the United Nations' Sustainable Development Goals (SDGs), a set of 17 targets to address global challenges like clean water and climate action. They foster responsible consumption and production, encouraging businesses to drive change. ICFGF's Four Big Sustainability Goals for the tax sites, aligned to UNSDGs, are:

- **UNSDG 13:** Tackling climate change. Scottish Government climate change legislation requires an interim target of a 75% reduction in emissions by 2030, relative to 1990 levels of carbon dioxide, methane and nitrous oxide and 1995 levels of hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride. Existing emissions for the tax sites and associated 1990/1995 baselines will be verified. Required outcomes to meet the 75% reductions will be clear and met. By 2045 at the latest all tax sites will aim to achieve Net Zero in their own and third-party operations.
- **UNSDG 14:** Using water responsibly. Water usage will be understood and monitored against targets to ensure water is used efficiently such that all tax site operations are within a responsible water use range by 2030.
- **UNSDG 12:** Moving to a circular economy. All packaging will be widely recyclable, with work underway to ensure packaging is kept to a minimum, which may include designing an ICFGF wide packaging route map to ensure we can maximise our role in the circular economy. Coproducts arising from tax site operations, i.e., low grade heat and oxygen from hydrogen production, where possible, are a) minimised; and b) utilised.
- **UNSDG 15:** Caring for the land. Within their ongoing Land Master Plan, by 2040, ICFGF will play an active role in wider conservation and restoration to deliver net biodiversity gain associated with tax site operations.

Biodiversity

In 2019 the Highland Council declared a twin Climate and Ecological emergency. Increasingly there is a need to accelerate recovery in nature, for our planet, the wildlife and our communities. Through Biodiversity Net Gain (BNG), ICFGF can play its part in enabling nature to thrive, delivering nature-based solutions to climate change, water and air quality and flood risk. Across the wider community it can assist in the improvement of green space.

Utilising a Biodiversity metric, the value of the existing habitat can be calculated. We recognise development often results in a net loss, therefore through reinforcement of the mitigation hierarchy a commitment to increasing biodiversity by a minimum of 10% from the calculated baseline will be sought from partners. This might be achieved through the utilisation of various mechanisms for BNG delivery, including:

- Creating on-site habitat and enhancement with landscaping and green infrastructure that is designed to be climate resilient, native, adaptive and non-invasive.
- Community engagement supporting the creation and enhancement of green spaces through collaboration with public and private landlords.

Procurement

ICFGF Decarbonisation Plan objective #6: Sustainable procurement practice

ICFGF Ltd is aware of how important appropriate procurement practices are in relation to key environmental metrics, e.g. whole-life carbon reductions in supply chain activity when delivering projects or programmes of work. Procurement will not solely be used as a means to establish contracts, but also as a mechanism to incentivise the right behaviours in relation to decarbonisation across wider procurement supply chains.

ICFGF Ltd intends to adopt a sustainable procurement policy as defined in the Procurement Reform (Scotland) Act 2014³¹. The Company commits to having its procurement activity contribute to relevant national and local priorities. To do this, ICFGF Ltd will consider:

- How the Green Freeport can improve environmental, social and economic wellbeing in the area in which it operates, with a particular focus on reducing inequality and enhancing environmental performance;
- How ICFGF's procurement processes facilitate involvement from SMEs, third sector bodies and supported business;
- How public procurement can be used to promote innovation.

ICFGF will develop a plan for how it aims to achieve the targets above. This will include the role, duties and significance of asset owners, procurement contracts, as well as product supplier requirements.

Just Transition

As outlined throughout this document, the activities within the tax site aim to align to Scotland's Just Transition Plan. The Just Transition aims for an equitable shift to net-zero by 2045. It seeks to avoid the social scars of rapid change as seen in previous transitions within Scotland and the UK more broadly. Focus is given to job security, skills training for green industries, and co-design through working with those impacted by the transition to net-zero. Further, the policy aims to ensure the costs of the transition are not borne by those least able to pay and that the benefits of the net-zero transition are shared fairly by all.

As such, a range of activities and actions are outlined in the table below to ensure the ICFGF as a whole, and the landowners within the tax sites, are aligned with a Just Transition.

Table 69: ICFGF Just Transition alignment

Just Transition themes	ICFGF alignment activities and actions with the Just Transition	Landowner alignment activities and actions with the Just Transition
1) Planning for a managed transition	• Alignment with Scottish Net Zero Roadmap targets through supporting offshore wind deployment, green hydrogen and PtX generation • Labour market analysis to determine impact of ICFGF on economic opportunities • ICFGF system wide decarbonisation as outlined in the decarbonisation plan • Economic regeneration of unutilised assets • Economic regeneration of local communities • SMART Targets to develop FLOW capacity and to halt the expected circa 10% working age population decline	• Wind tower manufacturing facility (Global energy group) • Innovative green hydrogen site (The Highland Council) • Net Zero strategies of landowners • Innovative floating manufacturing facility (Port of Cromarty Firth)
2) Equipping people with the knowledge and skills they need, while putting in place safety nets to ensure no-one is left behind.	• Investing in local workforces to develop the skills and capacity needed in the net zero transition through the Green Freeport Skills Fund • Ten Point Plan for Skills which includes recruitment support, employment support, bursaries and scholarships as well as further and higher education	• Contribution from landowners to the ICFGF skills fund corresponding to Green Freeport National Insurance Contributions Relief that have benefitted from (all landowners) • Deploying research to deploy electron beam welding, robotics, and AI (Global energy group)

³¹ Procurement Reform (Scotland) Act 2014 – [3. Sustainable procurement duty – Procurement Reform \(Scotland\) Act 2014: statutory guidance – gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/statutory-guidance/2014/01/procurement-reform-scotland-act-2014-statutory-guidance/pages/3_sustainable_procurement_duty.aspx)

Just Transition themes	ICFGF alignment activities and actions with the Just Transition	Landowner alignment activities and actions with the Just Transition
	- Establishing The PowerHouse to address the training and workforce requirements of ICFGF activities through skills and innovation development - Building the local innovation system through seed capital and through the ICFGF manufacturing cluster to achieve agglomeration economies enabling the transfer and sharing of knowledge - ICFGF Skills Plan supporting those in local labour market not in employment and the economically inactive, once they become engaged a focused skills programme will provide the opportunity for upskilling - Online and in-person knowledge exchange and skills development workshops exploring skills and training provision gaps	- Support businesses undertaking R&D (Highlands and Islands Enterprise) - Wind turbine blade repair training facility and contribution to Powerhouse Skills Group (Aurora Energy Services) - Skills development programmes and support to educators - Provide education by delivering webinars and networking events around transition to bio-based manufacturing (IBiolC) - Carbon literacy training provided to all staff (HIE)
3) Involving those who will be impacted: co-design and collaboration.	- ICFGF Board will facilitate a genuine public-private partnership within the region to deliver ICFGF objectives through the policy levers and functions available to it - ICFGF Board will consult with communities with specific interests - Community engagement to support the creation and enhancement of green spaces - ICFGF stakeholder and community communication strategy - Stakeholder consultation to date including Local Authorities, developers, communities, Government. - Black Isle community led place plan in Inner Moray Firth with discussion on the implications of the Green Freeport - Engagement plan across a range of stakeholders including local and regional communities - Governance arrangement - Young people engagement through The PowerHouse	- Tax Site Delivery Agreements to provide a strategy ensuring public investment and support will realise the intended social and economic potential of the Green Freeport (all landowners) - Tax Site landowner community liaison groups discussing upcoming plans and ongoing activities (Haventus) - Some landowners operate "open door" policies in which local communities are welcome to tax site facilities (Haventus) - Transparent and open communication channels and collaborative initiatives such as the "Port of Nigg open day" which welcomed over 1,000 people to the port (Global Energy Group)
4) Spreading the benefits of the transition widely, while making sure the costs do not burden those least able to pay	- Significant job creation with local recruitment prioritised - ICFGF Fair Work Charter based on the principles of the Scottish Government's Fair Work First guidance and Fair Work Convention - Inclusive growth to provide jobs in the local area to the relatively disadvantaged and economically inactive - Inward investment interfaced with the SDI, DBT - Skills fund is financed by the financial benefits accruing to tax site employers ensuring those requiring skills training are not burdened with the cost - Economic opportunities provided by direct and indirect job creation - ICFGF Fair Work Charter - Halting the forecast decline in working age population within ICFGF regions	- Long term job creation across sectors and skillsets through the reindustrialisation of economies local to tax sites (ICFGF wide) - Potential local offtake of hydrogen production to benefit local industry and communities - Local community engagement and charitable works (Aurora Energy Services)

Appendix 1 – Net Zero & Sustainability Charter

Inverness & Cromarty Firth Green Freeport is committed to achieving the Net Zero and Sustainability ambitions described in the decarbonisation plan and FBC

We will ensure we meet the national target of Net Zero by 2045 and will provide regional leadership by being an exemplar of effective decarbonisation and embodying sustainable behaviours throughout all aspects of Green Freeport activity.

All Green Freeport tax site landowners and users have committed to sign up to the Net Zero & Sustainability Charter.

A key element of the charter is that all stakeholders will pursue all applicable UN Sustainable Development Goals (SDG), and the table overleaf states the charter objectives and maps them against directly applicable UN SDGs.

Table 70: ICFGF Net Zero and Sustainability Charter

UN SDGs➔	7 – Affordable & Clean Energy	8 – Decent Work & Economic Growth	9 – Industry, Innovation & Infra	11 – Sustainable cities & communities	12 – Responsible consumption & production	13 – Climate Action	14 – Life below water	15 – Life on land
↓ ICFGF landowners and users shall:								
Carbon management of all infrastructure projects will be conducted in accordance with the latest version of <i>PAS2080 – Carbon Management in buildings and infrastructure</i>			●	●	●	●		
Participate in all relevant initiatives and opportunities to accelerate decarbonisation of travel & transport in the region, from active travel to decarbonisation technologies across road and rail freight, and marine transport and logistics.			●	●		●	●	●
Adopt sustainable procurement practices , with public sector bodies conducting sustainable procurement in accordance with the Procurement (Reform) Act 2014.	●		●	●	●			
Participate in all relevant initiatives and opportunities to sensitively conserve, restore and enhance the marine, freshwater and terrestrial biodiversity of the Firths' region and coastal environment.				●		●	●	●
Provide progress updates on delivering against national net zero targets on an annual basis. The results of the progress update will be used to track this Charter's overall effectiveness and may be publicised to promote the positive progress made by GF tax site owners and share learning with others.			●			●		
Monitoring UNSDG achievement. For each of the 17 UN goals, SMART SDG targets will be set against the GF organisation's baseline data. This will clearly define their SDG strategy and allow the production of meaningful KPIs for mapping and reporting on progress. This governance will drive continual improvement towards the 2030 and 2045 deadlines.	●	●	●	●	●	●		●

Appendix 2 – Acronyms, abbreviations & definitions

BNG	Biodiversity Net Gain. A strategy to develop land and contribute to the recovery of nature. It is a way of making sure the habitat for wildlife is in a better state than it was before development.
Carbon	Shorthand for all greenhouse gases emissions as defined by the Kyoto Protocol, measured in kg or tonnes of carbon dioxide equivalent (CO ₂ e)
Carbon Control	Where project owners have the ability to manage, through direct requirement of project design and operational approach, specific objectives for capital and operational carbon emissions
Carbon Influence	Where the project may affect carbon emissions beyond carbon control, notably through the use of project buildings or infrastructure. For example, a project owner can 'control' the carbon associated with a new road (design, construction, maintenance, lighting, etc.) but can only 'influence' the carbon emitted by users of the road.
CCC	Climate Change Committee
CCUS	Carbon Capture Utilisation & Storage
CfD	Contracts for Difference
CO₂e	Carbon Dioxide equivalent: unit for comparing the radiative forcing of greenhouse gases (GHGs) to carbon dioxide
Decarbonisation	The process by which organizations, sectors or other entities aim to achieve zero fossil carbon emissions, typically referring to a reduction of the carbon emissions associated with key sectors, such as electricity, industry and transport
Capital Carbon	The carbon dioxide (CO ₂) emissions associated with materials and construction processes throughout the whole lifecycle of a building or infrastructure.
FBC	Full Business Case
FTE	Full Time Employment
GF	Green Freeport
GW	Giga Watt
ICFGF	Inverness & Cromarty Firth Green Freeport
INTOG	Innovation and Targeted Oil & Gas
MW	Mega Watt
KPI	Key Performance Indicator
NDC	Nationally Determined Contribution
NPF4	National Planning Framework 4
NSET	National Strategy for Economic Transformation
OBC	Outline Business Case
Operational Carbon	Carbon associated with the operation of a project required to enable it to deliver its service or outcomes, e.g. electricity use or building heating
OWF	offshore wind farm
PFG	Programme for Government
PtX	Power-to-X
R&D	Research & Development
SCCAP	Second Climate Change Adaptation Programme
SDG	Sustainable Development Goal
SEPA	Scottish Environment Protection Agency

SMART	Specific, Measurable, Achievable, Realistic and Timebound
STEM	Science, Technology, Engineering & Maths

Annex F – Assumptions, references, and methodology for VfM analysis

Introduction

This Annex sets out the methodology and all of the key assumptions and references used within the Economic Case of the OBC. The key steps in the analysis are listed in Table F.1 and the rest of the annex is structured accordingly.

Table F.1: Overview of key steps in the analytical process

Step	Step description
1	Gathering input data
1.1	Data template issued
1.2	Data template completed
1.3	Input data fields used for the Economic Case
2	Options specification and calibration
2.1	Options framework
2.2	Allocation of Seed Capital projects to options
2.3	Option calibration
3	Price base, appraisal period and discounting
3.1	Price base
3.2	Appraisal period
3.3	Discounting to Present Values
4	Spatial areas of analysis
5	Construction job years
5.1	Derivation of construction expenditure
5.2	Data sources used to derive construction employment
5.3	Assumptions on share of construction expenditure by spatial area
5.4	Deriving an FTE to jobs ratio for construction employment
5.5	Deriving FT job years from construction expenditure
5.6	Deriving Type II multiplier effects by spatial area
5.7	Applying the Type II multiplier to calculate gross construction job years
6	Benefits monetised in VfM appraisal
6.1	Overview of benefits included in VfM appraisal
6.2	Deriving GVA (VfM Approach 1) and the wage premium (VfM Approach 2) impact from operational jobs
6.2.1	Share of operational jobs by broad sector
6.2.2	Allocation of SIC Divisions to broad sectors
6.2.3	Extracting Scottish Annual Business Survey (SABS) data for selected SIC Divisions
6.2.4	Deriving GVA per employee and income per employee (2021 values)
6.2.5	Adjusting to 2023/24 prices
6.2.6	Deriving an FTE to jobs ratio for operational jobs
6.2.7	Calculation of weighted average GVA per FTE and income per FTE in 2023/24 prices
6.2.8	Estimation of GVA per FTE and income per FTE for hydrogen
6.2.9	Calculation of future streams of gross GVA and gross income per option
6.2.10	Calculation of Present Values of gross GVA and gross income per option
6.2.11	Derivation of the Type II multiplier for operational jobs, GVA and income
6.2.12	Calculating gross additional jobs, GVA and income for each option
6.2.13	Applying net additionality adjustments to calculate net additional jobs, GVA and income
6.2.14	Calculating the net additional jobs, GVA and income from seed capital
6.3	Deriving Land Value Uplift (VfM Approach 2)
6.3.1	Data sources
6.3.2	Estimation of land value in its current condition
6.3.3	Estimation of land value following site preparation
6.3.4	Calibration of LVU by option
6.3.5	Calculating the net additional LVU from seed capital
6.4	Labour supply benefits (VfM Approach 2)

6.4.1	Estimating the labour supply effect of tax site employment
6.4.2	Conversion to welfare gain
6.4.3	Calculating the net additional labour supply benefit of seed capital
6.5	Wage premium from more productive employment (VfM Approach 2)
7	Carbon
7.1	Carbon disbenefits
7.1.1	Capital carbon
7.1.2	Operational carbon
7.2	Potential carbon influence
8	Calculation of Green Freeport tax benefits
8.1	ICFGF tax site designation start date for appraisal purposes
8.2	Class 1 NICs (C1NI)
8.3	Land and Buildings Transaction Tax (LBTT)
8.4	Enhanced Structures and Buildings Allowance (ESBA)
8.5	Enhanced Capital Allowance Relief (ECAR)
9	Jobs to population
9.1	Extracting key secondary data to profile current population and jobs in the Highland Council area
9.2	Calculation of ratios of population to jobs
9.3	Application of ratios of population to net additional jobs in the Economic Case

Step 1: Gathering input data

Step 1.1: Data template issued: In order to support multiple aspects of the ICFGF FBC, a data request was issued to those landowners whose land has been designated as an ICFGF tax site. The request took the form of a Microsoft Excel spreadsheet with a series of data fields.

Step 1.2: Data template completed by landowners: Landowners were asked to complete this spreadsheet with the same data for each sub-project on their site. Some of these sub-projects were seed capital projects. Landowners were asked to enter data over a 26-year period from 2023/24 to 2049/50 so that annual profiles would be available for each field.

Step 1.3: Input data fields used for the Economic Case: The key fields used within the Economic Case related to financial, funding source and output data which are listed at Table F.2.

Table F.2: Key input data supplied by landowners of prospective tax sites

Field heading	Field name	Utilisation of this data in the Economic Case?
Development Costs	Structure and Buildings Costs	Y – for Green Freeport ESBA tax calculation Y – as a component of construction expenditure
	Plant and Machinery Costs	Y – for Green Freeport ECAR tax calculation
	Land Acquisition Costs- purchase	Y – for Green Freeport LBTT tax calculation
	Land Acquisition Costs- lease rent	Y – for Green Freeport LBTT tax calculation
	Planning Costs	N
	Enabling Infrastructure Costs (Incl. remediation, environmental mitigations etc.)	Y – as a component of construction expenditure
	Other Costs	N
	Total Development Costs	Y – as the investment control total
Funding investment of	Seed Capital	Y – for the profile of seed capital expenditure over time
	Other Public Sector	Y – for the profile of other public expenditure over time

	Private Sector	N – not used. Instead, private sector spend was derived by deducting Seed Capital and Other Public Sector costs from Total Development Costs.
	Other Funding	N
	Total Funding of Investment	N

	Employment	
Expected outputs	Construction jobs	N – calculated separately using the Structure and Building Cost and Enabling Infrastructure Cost fields above
	Operational jobs	Y – and assumed to be FTEs for the purposes of analysis
	Total jobs	N

Step 2: Options specification and calibration

Step 2.1: FBC Options framework: The Economic Case explains the options appraised at OBC and the options carried forward for appraisal at FBC. The FBC options were:

- Option 1 – No Green Freeport
- Option 2 – Green Freeport, but no seed capital – assuming a 10-year tax site designation
- Option 3 – Green Freeport plus Maximum Ask seed capital – assuming a 10-year tax site designation

Step 2.2: Allocation of Seed Capital projects to options: The allocation of seed capital projects to Option 3 is shown at Table F.3. This was the output from the seed capital Assessment process described in Section 2bi of the Economic Case.

Table F.3: Allocation of seed capital projects to options (in descending order of their Assessment score)

Seed capital lead applicant	Project name	Option 3 Maximum Ask (<=£25m)
Global Energy Nigg Ltd	Port of Nigg Expansion Project	Y
Global Energy Nigg Ltd	Steel Rolling Manufacturing Facility Enabling Works	Y
Port of Cromarty Firth	Port of Cromarty Firth – Phase 5	Y
The Highland Council	Longman Green Hydrogen Project	Y
Global Energy Nigg Ltd	HV/DC Cable Manufacturing Facility Enabling Works	Y
Global Energy Nigg Ltd	Ultra-Deep Water West Quay Expansion Preparation Project	Y
Highlands and Islands Enterprise	Inverness Campus – Phase 2 infrastructure	Y
The Highland Council	Tomich Junction Improvements	Y
Global Energy Nigg Ltd	Site Electricity Upgrade Project	Y
Inverness Harbour Trust	Port of Inverness – Longman Quay Improvement	Y
Highland Deephaven Ltd	Deephaven Deep Water Access	Y

Step 2.3: Allocation of input data to options: The data provided by landowners was treated as the base case for their tax site and sub-projects' contributions to Option 3.

Step 2.3: Option calibration: Calibration of Option 1 (no Freeport) was primarily based on the previous OBC discussions, with some minor updates to refine the earlier assumptions. Calibration of costs and benefits of Option 2 (no seed capital) was based on the option appraisals carried out in each of the 11 seed capital OBCs. For tax site projects not supported by seed capital, further work was done at FBC to check for dependencies

on seed capital (e.g. power upgrades, off-site junction improvements) to ensure reasonable assumptions were made on the impact of seed capital on other tax site projects. .

This process enabled separate profiles to be developed for every sub-project, on every tax site, for each key variable in Table F.2, for the three FBC options.

Step 3: Price base, appraisal period and discounting

Step 3.1: Price base: All costs and benefits at FBC are in constant 2024/25 prices without future inflation, since this is the “decision year” regarding seed capital. Any project development and planning costs incurred in 2023/24 have been included after being inflated to 2024/25 prices using the GDP deflator (March 2024 release).

Step 3.2: Appraisal period: The appraisal year (Year 0) is taken as 2024/25. The intervention period is taken as the 25-year period from 2025/26 to 2049/50.

Step 3.2: Discounting to Present Values: Profiles of future (2025/26 to 2049/50) costs and monetised benefit (or disbenefit) streams were discounted back to 2024/25 at a rate of 3.5%, being the Social Time Preference Rate for this appraisal period as set out in HM Treasury’s Green Book. The resulting Present Values of costs, benefits and disbenefits were used in the VfM analysis (VfM Approach 1 and VfM Approach 2).

Step 4: Spatial areas of analysis

Four spatial areas of analysis have been used throughout the OBC Economic Case. These are:

- Inverness and Cromarty Firth Green Freeport area (as denoted by the customs duty boundary)
- Highlands and Islands
- Scotland
- United Kingdom

Step 5: Estimating construction job years

Step 5.1: Derivation of construction expenditure: Although landowners were asked to supply data on construction job years, there was variability in the completeness and profiling of that data, so these were calculated from first principles using the following construction cost data provided by landowners:

- Structure and Buildings Costs
- Enabling Infrastructure Costs (Incl. remediation, environmental mitigations etc.)

These were combined into a single “construction spend” total per option enabling a single Present Value of construction spend to be calculated for each option.

Step 5.2: Data sources used to derive construction employment: The approach used to estimate construction employment used the following sources:

- Scottish Annual Business Survey (SABS, 2021) to derive values for turnover per construction job (SIC Divisions 41-43) at the Scottish level in 2021/22 prices. SABS 2022 data has not yet been published.
- The Business Register and Employment Survey (BRES, 2021) accessed through NOMIS, to derive full-time and part-time jobs for SIC Divisions 41-43 at the Scottish level
- The GDP Deflator at Market Prices (ONS, March 2024) to inflate 2021/22 values to 2024/25 prices

Step 5.3: Assumptions on share of construction expenditure by spatial area: The economic impact model requires assumptions on the share of construction expenditure (labour and materials combined) that will be spent with contractors/suppliers located in Inverness and Cromarty Firth, Highlands and Islands, Scotland and the United Kingdom. Table F.4 shows the assumed shares. In making these assumptions, the Economic Case team has taken into account the very significant (£multi-billion) scale of construction activity over a relatively short period of time across multiple tax sites, as well as the capacity of the local construction

market. On this basis, it is judged that the level of local and regional retention of construction spend is likely to be relatively low (but still large in absolute terms), with much of the construction activity being delivered by firms based elsewhere. The value of construction expenditure at the UK level is set at 60% on the basis that a very substantial volume of steel will be required and some will be imported. Application of these shares enables the estimation of cumulative construction turnover spent with suppliers/contractors in each spatial level.

Table F.4: Cumulative retention of construction expenditure in the four spatial areas of analysis

	Cumulative % of construction expenditure retained
Inverness and Cromarty Firth (45km boundary)	5%
Highlands and Islands	15%
Scotland	40%
United Kingdom	60%

Step 5.4: Deriving an FTE to jobs ratio for construction employment: BRES data on the full-time and part-time jobs in SIC Divisions 41-43 enables a full-time equivalent to be derived, assuming part-time jobs are 0.5 of 1 full-time job. The resulting ratio (0.96) is used to adjust the total construction employment in Scotland to full-time equivalents.

Step 5.5: Deriving FT job years from construction expenditure: The SABS data on turnover per FTE per annum is then applied to the construction spend to derive the number of full-time equivalent job years ("FT job years") associated with the construction spend at each spatial level.

Step 5.6: Deriving Type II multiplier effects by spatial area: The Type II multiplier values provided in the Scottish Input-Output tables are used to estimate the indirect supply chain effects of this expenditure and the induced effect of spending of wages and salaries of direct and indirect jobs in the economy. The application of this multiplier to the four spatial levels of analysis requires an assumption to be made of the share of the multiplier in each case (see Table F.5, column 2). This is based on the judgement of those undertaking the Economic Case. The Type II multiplier is a composite of the indirect supply chain effect (known as the "Type I" multiplier) and an induced effect from the spending of wages and salaries of the direct and indirect jobs in the economy. In construction, the Type I effect accounts for 89% of the total multiplier effect. Construction supply chains are well established at the local level, and for the period of construction it is likely that that even if steel is being sourced from further afield, there will be a reasonable share of local content including for aggregates and sub-contracted labour. The share of the multiplier for the UK is highly uncertain, but given the need to import steel and other materials a cautious assumption has been made so as not to risk the exaggeration of construction effects at the UK level.

The application of these shares to the Scottish Type II multiplier for construction results in the multiplier values shown in the third column of Table F.5.

Table F.5: Spatial share of Scottish Type II Employment multiplier for SIC Divisions 41-43

	Share of Scottish Type II multiplier	Resulting Type II multiplier applied at different spatial scales
Inverness and Cromarty Firth (45km boundary)	50%	0.38
Highlands and Islands	75%	0.57
Scotland	100%	0.76
United Kingdom	130%	1.14

Step 5.7: Applying the Type II multiplier to derive gross construction job years per option: The Type II multipliers are then applied to the direct FT job years calculated through the application of turnover per FTE to the construction spend at each spatial level, to derive construction job years inclusive of the Type II

multiplier. No further additionality adjustments have been made to construction effects. To the extent that all the capital expenditure is considered additional (as revealed through the options comparison), all these employment effects are regarded as 100% gross additional.

Step 5.8: Applying the multiplier effects to calculate gross construction job years: While construction impacts are included for completeness, they are excluded from the Benefit Cost Ratio and Net Present Social Value calculations given their temporary nature. Clearly, however, given the scale of construction activity required, that short-term benefit to the local economy will be substantial.

Step 6: Benefits monetised in VfM appraisal

Step 6.1: Overview of benefits included in VfM appraisal: Section 2bii of the Economic Case summarises the two approaches to quantitative VfM appraisal:

- **Approach 1:** is a cost benefit analysis where the benefit streams are Gross Value Added (GVA) associated with the net additional employment impacts of seed capital options, the capital (embodied) carbon and operational carbon emissions arising from tax site construction and operation and the positive carbon influence associated with the production of green hydrogen on tax sites
- **Approach 2** is a cost benefit analysis based on a combination of Land Value Uplift, welfare gains from labour supply (new entrants to the labour market), wage premium (the impact of seed capital options in enabling a move to more productive jobs, leading to higher wages from more efficient tax site delivery) and carbon impacts as above.

Across the two approaches, five different benefit types have been monetised and these are used in the two VfM approaches as follows:

- GVA (VfM Approach 1)
- Carbon (VfM Approach 1 and VfM Approach 2)
- Land Value Uplift (VfM Approach 2)
- Labour supply (VfM Approach 2)
- Wage premium (VfM Approach 2)

Step 6.2: Deriving GVA (VfM Approach 1) and the wage premium (VfM Approach 2) from operational jobs

The starting point for both benefit types is the input assumption data on “operational jobs”. These are direct, tax-site jobs engaged in the range of broad sectors set out in the first column of Table F.6. The steps below were then followed:

- **Step 6.2.1: Share of operational jobs by broad sector:** This required assumptions to be made, drawing on discussions with landowners, the likely shares of total operational jobs, per sub-project, per option, in the broad sectors identified as columns in Table F.6.

Table F.6: SIC Division weighting of the broad sectors used in the Economic Case analysis of direct, operational tax site jobs

SIC Division	Broad sectors of direct, operational employment on tax sites											
	Port services	Marshalling & Assembly	Fabrication & Manufacturing	Marine technology	Operations & Maintenance	Green Hydrogen production	Training	Life sciences	Food & drink	Warehousing	Accommodation	Business admin
N/A						Not SIC based						
11 – Manufacturing of beverages									100%			
23 – Manufacture of other non-metallic mineral products (i.e. includes concrete (foundations) and composites (blades))			30%									
25 – Manufacture of fabricated metal products, except machinery and equipment		20%	30%									
27 – Manufacture of electrical equipment (i.e. turbines, cables)			30%									
33 – Repair and installation of machinery and equipment		20%		20%	85%							
41 – Civil engineering		10%										
50 – Water transport	5%											
52 – Warehousing and support activities for transportation	92.5%	50%								100%		
55 – Accommodation											100%	
63 – Information service activities				10%								
70 – Activities of head offices; management consultancy activities								20%				35%
71 – Architectural and engineering activities; technical testing and analysis			10%	20%				20%				
72 – Scientific research and development				25%				30%				

SIC Division	Broad sectors of direct, operational employment on tax sites											
	Port services	Marshalling & Assembly	Fabrication & Manu- facturing	Marine technology	Operations & Maint- enance	Green Hydrogen production	Training	Life sciences	Food & drink	Warehousing	Accomm- odation	Business admin
74 – Other professional, scientific and technical activities				25%	15%			30%				20%
80 – Security and investigation activities	2.5%											45%
82 – Office administrative, office support and other business activities							100%					
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

- **Step 6.2.2: Allocation of SIC Divisions to broad sectors:** This step involved the identification of relevant SIC Divisions for each broad sector (rows in Table F.6) and an assumed estimate of the share of each broad sector's employment within each of the selected Divisions. . This is a necessary step because the UK's Standard Industrial Classification has not yet evolved to capture key offshore renewable activities, notably marshallng and assembly. For the "fabrication and manufacturing" broad sector, while we are aware of some specific, potential end users (e.g. a HVDC cable manufacturer), and other potential investment targets (e.g. relating to blades, nacelles, concrete and steel based foundations), the specific manufacturing activities that will definitively take place on each tax site are not known at this stage. Therefore the approach of using "blends" of SIC Divisions has been adopted to take account of this uncertainty as shown in Table F.6.
- **Step 6.2.3: Extracting Scottish Annual Business Survey (SABS) data for selected SIC Divisions:** This step involved obtaining SABS 2021 data for employees, GVA and wages and salaries at the Scottish level for each of the selected SIC Divisions.
- **Step 6.2.4: Deriving GVA per employee and income per employee (2021 values):** This step derived GVA per employee and wages and salaries ("income") per employee for each SIC Division for 2021 using SABS data for Scotland
- **Step 6.2.5: Adjusting to 2024/25 prices:** This step inflated these to 2024/25 prices using the ONS GDP deflator March 2024 release (as described at Step 3.1 above)
- **Step 6.2.6: Deriving an FTE to jobs ratio for operational jobs:** This step used BRES/NOMIS data on full-time and part-time working at the Scottish level, for each of the target SIC Divisions, to calculate a jobs to FTE ratio, so that the GVA per job and income per job values could be expressed as GVA and income per FTE
- **Step 6.2.7: Calculation of weighted average GVA per FTE and income per FTE in 2024/25 prices:** This step calculated, for each broad sector, a weighted average of the GVA and income per FTE values using the assumed shares of employment in each SIC Division within that broad sector. Table F.7 shows the results of this step. Column 2 shows the weighted average GVA per FTE and income per FTE in 2024/25 prices which were then used in the economic impact model.

Table F.7: Derived GVA per FTE and income per FTE (2024/25 prices)

Broad sector	GVA per FTE	Income (wages and salaries) per FTE
Port services	106,508	43,248
Marshallng & Assembly	90,361	38,832
Fabrication & Manufacturing	93,131	47,725
Marine technology	80,733	43,640
Operations & Maintenance	78,152	39,404
Hydrogen	86,319	43,159
Training	33,739	38,606
Life sciences	83,510	46,722
Food and drink (manufacturing of beverages)	243,676	51,214
Warehousing	103,071	40,567
Accommodation	46,499	24,583
Business administration	59,161	36,545

Step 6.2.8: Estimation of GVA per FTE and income per FTE for hydrogen: All of the estimates in Table F.7 were based on SABS 2021 data with the exception of hydrogen. Industry-specific GVA per FTE and income per FTE values for hydrogen were developed drawing on the Scottish Hydrogen Assessment³² and specifically data contained in Table 07 (“Scenario C, Focused Hydrogen”) setting out the share of GDP and jobs for the operation of on-shore green hydrogen. This estimated that 4.6% of on-shore green hydrogen jobs and 4.4% of on-shore green hydrogen GVA will be engaged in the “operation” of on-shore, green hydrogen. When applied to the estimated 69,000 total green hydrogen jobs and £5.7bn total green hydrogen GVA included in the assessment for that scenario, this enabled the values for hydrogen presented in Table F.6 to be derived, once inflated from 2020/21 to 2024/25 prices using the GDP deflator. For the purposes of this analysis, all green hydrogen jobs were assumed to be full-time.

Step 6.2.9: Calculation of future streams of GVA and income associated with tax site operational jobs: The input profiles of cumulative operational employment by broad sector per annum at tax site level were then multiplied by the weighted average GVA per job and income per job per broad sector, to derive streams of GVA and income per annum for each tax site, for each option.

Step 6.2.10: Calculation of Present Values of gross GVA and gross income per option: Present Values of the future streams of GVA and of income over the appraisal period were calculated by discounting to 2024/25 at 3.5%.

Step 6.2.11: Derivation of the Type II multiplier for operational jobs, GVA and income:

The derivation of the Type II multiplier to be used for operational jobs, GVA and income involved the following steps:

- Step 6.2.11.1 involved the extraction of Type II and Type I (supply chain) multipliers from the 2019 Scottish Input-Output Tables for each of the target sectors and for each of Employment, GVA and Income
- Step 6.2.11.2 involved deducting the Type I multiplier from the Type II multiplier to reveal the induced multiplier. Each SIC Division then had Type I (indirect) and Induced multipliers for each of Employment, GVA and Income
- Step 6.2.11.3 calculated an unweighted average for the Employment, GVA and income Type I and Induced multipliers
- Step 6.2.11.4 assumed shares of the Type I multipliers at the four spatial levels of analysis at years 5, 10 and 25. Variation over time was assumed in the Inverness and Cromarty Firth and Highlands and Islands Enterprise shares of the Type I multiplier, because of the expectation that tax site local and sub-regional supply chains will develop to enable more local content to be captured as a result of ICFGF’s operation. For the purposes of this analysis, the same assumptions were applied to all options
- Step 6.2.11.5 created the assumed shares of the induced multipliers at the four spatial levels of analysis. These are deliberately cautious assumptions, reflecting the current level of economic activity in the Inverness and Cromarty Firth, and Highlands and Islands levels, relative to Scotland as a whole. Furthermore, while it is hoped that the increase in working age population associated with ICFGF will lead to increased opportunities for local expenditure, the creation of off-site infrastructure and enabling of new housing cannot be directly attributed solely to tax site operations (some of this activity can be expected to result from NDR pipeline projects). There is no assumed increase in these shares over time
- Step 6.2.11.6 then applied these shares to the Scottish Type I and Induced multipliers as appropriate
- Finally, Step 6.2.11.7 re-combined the Type I and Induced multipliers to derive a Type II multiplier for jobs, GVA and income to be applied at the 5, 10 and 25 year snapshots presented in the Economic Case.

Tables F.8 and F.9 on the following pages shows the “spatial share” assumptions for the Type I and Induced multipliers while Table F.10 sets out the resulting Type I, Induced and re-combined Type II multipliers.

³² <https://www.gov.scot/publications/scottish-hydrogen-assessment-report/pages/10/>

Table F.8: Derivation of Type I (indirect/supply chain) multiplier to be applied to operational jobs, GVA and income

	Inverness and Cromarty Firth	Highlands and Islands	Scotland	United Kingdom
Scotland Type I multiplier for target sectors (jobs)			0.40	
Scotland Type I multiplier for target sectors (GVA)			0.38	
Scotland Type I multiplier for target sectors (income)			0.36	
% of Scotland Type I multiplier for operational impacts for relevant sectors (at 5 years)	10%	15%	100%	150%
% of Scotland Type I multiplier for operational impacts for relevant sectors (at 10 years)	13.8%	18.8%	100%	150%
% of Scotland Type I multiplier for operational impacts for relevant sectors (at 25 years)	25%	30%	100%	150%
Resulting Type I multiplier for target sectors at all spatial levels (jobs) – at 5 years	0.04	0.06	0.40	0.60
Resulting Type I multiplier for target sectors at all spatial levels (jobs) – at 10 years	0.06	0.08	0.40	0.60
Resulting Type I multiplier for target sectors at all spatial levels (jobs) – at 25 years	0.10	0.12	0.40	0.60
Resulting Type I multiplier for target sectors at all spatial levels (GVA) – at 5 years	0.04	0.06	0.38	0.58
Resulting Type I multiplier for target sectors at all spatial levels (GVA) – at 10 years	0.05	0.07	0.38	0.58
Resulting Type I multiplier for target sectors at all spatial levels (GVA) – at 25 years	0.10	0.12	0.38	0.58
Resulting Type I multiplier for target sectors at all spatial levels (income) – at 5 years	0.04	0.05	0.36	0.54
Resulting Type I multiplier for target sectors at all spatial levels (income) – at 10 years	0.05	0.07	0.36	0.54
Resulting Type I multiplier for target sectors at all spatial levels (income) – at 25 years	0.09	0.11	0.36	0.54

Table F.9: Derivation of Induced (wages and salaries) multiplier to be applied to operational jobs, GVA and income

	Inverness and Cromarty Firth	Highlands and Islands	Scotland	United Kingdom
Scotland induced multiplier for target sectors (jobs)			0.25	
Scotland induced multiplier for target sectors (GVA)			0.30	
Scotland induced multiplier for target sectors (income)			0.18	
% of Scotland induced multiplier for operational + indirect impacts for relevant sectors	10%	15%	100%	150%
Resulting induced multiplier for target sectors at all spatial levels (jobs)	0.03	0.04	0.25	0.38
Resulting induced multiplier for target sectors at all spatial levels (GVA)	0.03	0.04	0.30	0.44
Resulting induced multiplier for target sectors at all spatial levels (income)	0.02	0.03	0.18	0.27

Table F.10: Resulting Type II multipliers to be applied to operational jobs, GVA and income

From the addition of the Type I (per type and time period) and the Induced multipliers (per type) above:	Inverness and Cromarty Firth	Highlands and Islands	Scotland	United Kingdom
Resulting Type II multiplier applied – jobs – at 5 years	0.07	0.10	0.65	0.98
Resulting Type II multiplier applied – jobs – at 10 years	0.08	0.11	0.65	0.98
Resulting Type II multiplier applied – jobs – at 25 years	0.13	0.16	0.65	0.98
Resulting Type II multiplier applied – GVA at 5 years	0.07	0.10	0.68	1.02
Resulting Type II multiplier applied – GVA at 10 years	0.08	0.12	0.68	1.02
Resulting Type II multiplier applied – GVA at 25 years	0.13	0.16	0.68	1.02
Resulting Type II multiplier applied – income – at 5 years	0.05	0.08	0.54	0.82
Resulting Type II multiplier applied – income – at 10 years	0.07	0.10	0.54	0.82
Resulting Type II multiplier applied – income – at 25 years	0.11	0.14	0.54	0.82

Step 6.2.12: Calculating gross additional jobs, GVA and income for each option: The gross benefits from the Option 1 no Green Freeport reference case (i.e. jobs, and Present Values of GVA and Income) were deducted from those in Options 2 and 3 to reveal the gross additional benefits of Options 2 and 3.

Step 6.2.13: Applying net additionality Calculating net additional jobs, GVA and income: The net additionality adjustments were defined in the Economic Case and the basis for the values assumed for each adjustment was also discussed there. Table F.11 repeats the adjustment values which have been applied.

Table F.11: Net additionality adjustment values

Additionality parameter	Spatial level of analysis			
	Inverness and Cromarty Firth	Highlands and Islands	Scotland	United Kingdom
Occupier deadweight (NDR "displacement")	0%	2.5%	12.5%	12.5%
Product market displacement	3%	5%	7.5%	10%
Leakage	5%	1%	0%	0%
Labour market substitution (at 5 years)	5%	6%	40%	50%
Labour market substitution (at 10 and 25 years)	3%	4%	25%	35%
Type II multiplier – jobs – at 5 years	0.07	0.10	0.65	0.98
Type II multiplier – jobs – at 10 years	0.08	0.11	0.65	0.98
Type II multiplier – jobs – at 25 years	0.13	0.16	0.65	0.98
Type II multiplier – GVA at 5 years	0.07	0.10	0.68	1.02
Type II multiplier – GVA at 10 years	0.08	0.12	0.68	1.02
Type II multiplier – GVA at 25 years	0.13	0.16	0.68	1.02
Type II multiplier – income – at 5 years	0.05	0.08	0.54	0.82
Type II multiplier – income – at 10 years	0.07	0.10	0.54	0.82
Type II multiplier – income – at 25 years	0.11	0.14	0.54	0.82

These parameters were:

- Occupier deadweight ("DW")
- Product market displacement ("PMD")
- Leakage ("L")
- Labour market substitution ("S")
- Type II multiplier (as derived above) ("M").

The equation used to apply the net additionality parameters to the gross additional benefits was:

- **For operational jobs:** Net additional jobs = gross additional jobs x (1-DW) x (1-PMD) x (1-L) x (1-S) x (1+M_{jobs})
- **For GVA:** PV net additional GVA = PV gross additional GVA x (1-DW) x (1-PMD) x (1-L) x (1-S) x (1+M_{gva})

- **For income:** $PV \text{ net additional income} = PV \text{ gross additional income} \times (1-DW) \times (1-PMD) \times (1-L) \times (1-S) \times (1+M_{\text{income}})$

Step 6.2.14: Calculating the net additional benefit of seed capital: With net additional benefits for each of Options 2 and 3, the net additional benefits of seed capital are revealed through the use of the options framework as follows:

- **For Option 3 (Maximum Ask seed capital, 10 years tax site designation):** the calculation is net additional benefits of Option 3 minus net additional benefits of Option 2

It is these marginal net additional benefits (and equivalent calculations for net additional private costs as a disbenefit, and net additional public sector costs as the denominator) which are used in the BCR calculations.

Step 6.3: Deriving Land Value Uplift (VfM Approach 2)

Step 6.3.1 Data sources: At this stage in the business case process it has not been possible to derive project-level, RICS Red Book (or even Red Book-style) valuations of the individual sites because the precise end uses are not currently known.

Therefore we have resorted, as per the DLUHC Appraisal Guide 2023, to the use of an approach equivalent to the application of England Valuation Office Agency (VOA) ready-reckoners, which compares the value of the land value per hectare based on current condition with the land value per hectare based on a clean development-ready site for different uses.

Advice on local values for each of the three tax site areas has been provided informally at this stage by Graham and Sibbald (G&S) who have been retained by the Highland Council to provide a preliminary estimate of the potential timing and profile of growth in Rateable Values as a result of investment in the ICFGF tax sites. They are therefore familiar with all of the sites in question.

Step 6.3.2: Estimation of land value in its current condition: For those tax sites that are greenfield, a value of £12,355/ha (£5,000 per acre) has been applied, irrespective of tax site location.

However, as might be expected from the discussion in the Economic Case on where seed capital is being deployed, some sites are brownfield and require substantial capital expenditure – including public subsidy - to bring them to the point where any above-ground use can take place. In these cases, the cost of delivering a clean site has been inferred from the total project costs associated with the seed capital projects. The existing use value for most brownfield tax sites has therefore been set to zero. However, for one of the largest brownfield tax sites with potential deep-water access, a relatively recent transaction value for the land in a pre-development condition was known. This revealed a value of £74,000/ha or £30,000/acre which has been applied as the existing use value for this site.

Step 6.3.3: Estimation of land value following site preparation: G&S were consulted again at FBC stage and have provided indicative values for clean serviced sites as follows:

- For Inverness tax sites:
 - all industrial or port land: £1.85m/ha (£750,000/acre)
 - business park / R&D land: £741,315/ha (£300,000/acre)
- For Cromarty Firth tax sites:
 - marshallings and assembly: £1.24m/ha (£500,000/acre)
 - non-quayside industrial land: £222,395/ha (£90,000/acre, based on a range of £80,000 to £100,000/acre)
- For the Ardersier tax site:
 - marshallings and assembly: £1.24m/ha (£500,000/acre)

- non-quayside industrial land: £222,395/ha (£90,000/acre, based on a range of £80,000 to £100,000/acre)

There were two specific plots where, in discussion with G&S, it was possible to derive an actual end use value based on lease information provided. These have been applied instead of the ready-reckoners above in these cases.

Step 6.3.4: Calibration of LVU by option: The application of these assumptions to the hectarages of each tax site has enabled start, end and uplift values to be estimated and applied in VfM Approach 2 in the Economic Case in the following way. The resulting LVU is assumed to be for Option 3 (Maximum Ask seed capital).

It has not been possible to undertake a more granular options-based analysis for the LVU as this would require a more detailed, schematic of every land parcel by proposed end use within every tax site. Therefore, as at OBC stage, in order to calibrate the options and derive net additional land values for the FBC, gross operational GVA per option has been used as a proxy for the potential scale and value of the end use in each option and thus a means to derive LVU for the other options.

Step 6.3.5: Calculating the net additional LVU from seed capital: Within the VfM analysis, the final step in the process is to calculate the LVU associated with seed capital by deducting Option 2 (Green Freeport, but no seed capital) from Option 3 (Green Freeport plus Maximum Ask seed capital). This reveals the estimated marginal LVU associated with seed capital.

Step 6.4: Labour supply benefits (VfM Approach 2):

Step 6.4.1: Estimating labour supply effect of tax site employment: As we note later in the Annex, in 2021 the Annual Population Survey estimated that there were an estimated 17,000 working age economically inactive in the Highland local authority district. More recent claimant count data (August 2023) for a different level of geography shows that in HIE's Inner Moray Firth area there were approximately 2,200 people unemployed.

It is reasonable therefore to assume that the scale of local and regional job creation which is possible with ICFGF will have some benefit on labour supply. Drawing on DLUHC guidance as set out in the calculator provided for bids to the Department's Future High Streets Fund during 2020/21, a cautious 5% has been assumed.

Step 6.4.2: Conversion to welfare gain: The 5% labour supply assumption is then applied to the net additional GVA for each Option at each spatial level, the method for which was described above.

The same guidance prompts for the application of 40% to derive the welfare gain to the UK from these new entrants to the labour market.

Multiplying 5% by the GVA for each option (for the labour supply effect) and multiplying that result by 40% (for welfare gain) generates a value of the labour supply benefit, per option, for use in VfM Approach 2.

Step 6.4.3: Calculating the net additional labour supply benefit of seed capital: The final step is to reveal the marginal net additional benefit of seed capital by deducting Option 2 (Green Freeport, but no seed capital) from Option 3 (Green Freeport plus Maximum Ask seed capital). This reveals the estimated marginal labour supply benefit associated with these seed capital options and their tax site designation variants.

Step 6.5: Wage premium from more productive employment (VfM Approach 2)

The final benefit component of VfM Approach 2 takes the marginal net additional income (derived using the method discussed in detail at Step 6.2 above) as revealed through the seed capital option. This comes about through the more productive use of the tax sites with the deployment of seed capital, encouraging better site utilisation and much more substantial investment in higher value added manufacturing activity, leading to higher skilled, better paid jobs.

The benefits of seed capital in unlocking much greater levels of manufacturing activity, enabling ICFGE, Scotland and the UK to meet their local content targets, was discussed at length in the Strategic Case and Economic Case. This measure is judged to be a reasonable proxy for the productivity gain from more economically efficient use of the tax sites with the benefit of seed capital.

As described at Step 6.2.14, the VfM analysis is focused only on the marginal net additional impact of Option 3, the seed capital option, over and above what it is estimated the Green Freeport alone would bring forward with no seed capital in Option 2.

Step 7: Carbon assessment

Step 7.1: Carbon disbenefits (carbon control)

Step 7.1.1: Capital (embodied) carbon: The updated Decarbonisation Plan (Annex E) estimates tonnes of CO₂e of capital carbon associated with premises construction per annum from 2024 to 2050. Within the Economic Case, the method has been to:

- Apply the central BEIS carbon price to the stream of carbon to derive a value of tonnes CO₂e of capital carbon³³ (November 2022, Table 3)
- Discount the future stream to 2024/25 using the 3.5% Social Time Preference Rate.

Step 7.1.2: Operational carbon: The updated Decarbonisation Plan provides an estimate of the tonnes CO₂e of operational carbon per annum.

The adjusted annual stream of tonnes CO₂e has then been valued at the central BEIS carbon price in each year, before discounting to a 2024/25 Present Value at 3.5%.

Step 7.2: Potential carbon influence

The team responsible for updating the Decarbonisation Plan have provided separate data for two green hydrogen or green hydrogen derivative production facilities which are anticipated to be located on tax sites. Their capital and operational carbon is included as a disbenefit above. The positive influence associated with their production substituting for fossil fuel-based hydrogen or derivatives has been used to calculate the tCO₂e emissions saved per annum for these tax sites. These have then been valued at the central BEIS carbon price in each year, before discounting to a 2024/25 Present Value at 3.5%.

The Decarbonisation Plan also identifies the influence of tax site delivery and operation in enabling the development of floating offshore wind. Again, the team has made available their assumptions on tCO₂e per annum which has then been valued at the central BEIS carbon price in each year, before discounting to a 2024/25 Present Value at 3.5%.

Step 8: Calculation of Green Freeport tax benefits

Estimates of the Green Freeport tax benefits are included in the Economic Case in accordance with the OBC guidance. They are not included in VfM appraisal, but key points relating to the calculation method, data used and the relevant years of application are included here for completeness.

Some of the Green Freeport incentives are cash benefits where the investor will avoid a cost (Class 1 National Insurance, Land and Buildings Transaction Tax, Non Domestic Rates). Some of the benefits (Enhanced Structures and Building Allowance, Enhanced Capital Allowance Relief) relate to the timing of recognising investments and therefore offer a cashflow benefit in the next few years and a Net Present Value benefit on the basis that tax liabilities will be due later than without the Green Freeport incentives.

³³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1150890/data-tables-1-19.xlsx

The tax benefit estimates have been calculated using the SGFP Tax Calculator V3.0 (and V3.1 for LBTT) and the application of the calculators was checked with a representative of the Freeport Hub.

Step 8.1: ICFGF tax site designation start date for appraisal purposes

The calculations made for the OBC Economic Case assume that tax site designation will run from 8th April 2024 to 30th September 2034.

Step 8.2: Class 1 NICs (C1NI)

The input data used for the C1NI calculator is the absolute number of gross new operational jobs on tax sites in each year from 2024/25 to 2033/34 and for the first six months of 2034/35 (i.e. to 30th September 2034).

It is assumed that for the purposes of the estimate, all jobs will be on wages over £25,000 per annum.

A cautious assumption is made that the threshold for C1NIC increases from £9,100 in 2024/25 by 2% per annum over the period to 30th September 2034.

Step 8.3: Land and Buildings Transaction Tax (LBTT)

The input data used for the LBTT calculator is, with the exception of three tax site projects, annual gross land acquisition costs in 2024/25 prices as estimated by landowners in their tax site data response to the OBC/FBC team. The other three projects provided lease rents and the tax relief LBTT calculator (V3.1) was run for these projects using lease rent data.

For Green Freeports in Scotland it is understood that transactions prior to 30th September 2034 will be eligible. Therefore no transactions after this date have been included.

Step 8.4: Enhanced Structures and Buildings Allowance (ESBA)

The input data used for this calculator is the annual gross capital investment on structures and buildings in 2023/24 prices as estimated by landowners in their tax site data response to the OBC/FBC team. In applying this data, it is assumed that all of those costs are borne by companies registered for Corporation Tax in the UK.

For Green Freeports in Scotland it is assumed that only transactions up to 30th September 2034 are eligible. Therefore no structures and buildings expenditure after this date has been included.

Step 8.5: Enhanced Capital Allowance Relief (ECAR)

As noted in the Economic Case, ECAR has not been calculated. This is because companies nationally can claim 100% capital allowances on the main rate for qualifying plant and machinery investments and 50% on the special rate. There is therefore no Freeport-specific main rate ECAR benefit to companies on tax sites in that period. The special rate covers investments such as solar PV, lift shafts and thermal insulation (e.g. for chilled or frozen food). It is impossible to calculate what proportion of plant and machinery expenditure on ICFGF tax sites might qualify for the special rate, but for the purposes of these FBC estimates it is regarded as de minimis, given the nature of the buildings which are likely to be constructed and the sectors being targeted.

Step 8.6: Relief from Non Domestic Rates (NDR)

As noted above, the Highland Council has engaged G&S to provide a preliminary estimate of the potential timing and profile of growth in Rateable Values as a result of investment in Green Freeport tax sites. Their estimate has been presented directly in the Economic Case.

While the other tax calculations above have used option-specific data (calibrated as described earlier), the calibration of NDR for Option 2 has been done using the same GVA-based proxy as that used for LVU. The G&S estimate of NDR aligns with Option 3 (Green Freeport with Maximum Ask seed capital). The estimated NDR for Options 2 has been pro-rated, based on Option 2's Present Value of gross GVA as a proportion of Option 3's Present Value of gross GVA. In the absence of more detailed information

to inform the FBC, GVA is judged to be a reasonable proxy for both the scale and value of premises in Rateable Value terms.

Step 9: Jobs to population

The ICFGF has a regional SMART target to tackle the decline in the area's working age population. In order to inform the Green Freeport's potential to support this regional objective, it is desirable to find a way of assessing the extent to which net additional jobs (including multiplier effects) in the ICFGF area, and in the wider Highlands and Islands, may attract an influx of working age families.

In attempting to derive such a ratio, it is assumed that the ICFGF will attract a range of workers aged 16-64 to the area, of different ages, circumstances and family sizes (i.e. some will be single workers, others will bring partners and some will also have children).

It also seems reasonable to assume that at least some partners of workers in ICFGF net additional jobs will find employment – possibly on tax sites, or potentially in supply chain or induced multiplier jobs in the wider area. Some of these will be employees, and others (particularly in the supply chain) will be self-employed.

Furthermore it is also reasonable to assume that some will bring their families to the area. As a result, consideration also needs to be given to the potential population impact of children under the age of 16.

Clearly none of these characteristics can be modelled with great accuracy at this stage. However, Table F.12 takes these points into consideration and sets out the key data used to derive ratios to relate population to jobs which have been used in the Economic Case.

Step 9.1: Extracting key secondary data to profile current population and jobs in the Highland Council area: The top part of Table F.10 describes the key indicators and data sources used to profile the current population and jobs in the Highland Council area.

Table F.12: Towards ratios of “population in working age families” to “jobs” in the Inverness and Cromarty Firth area and in the Highlands and Islands

Indicator	Data source	Data for Highland Council area
Total population (all ages) (for reference only)	Census 2022	235,400
Working age population (16-64 years old)	Derived from Census 2022	142,640
Children (0-15 years old)	Derived from Census 2022	37,060
Employees (16-64)	NOMIS Annual Population Survey, October 2021 to September 2022 (6 months before and 6 months after the Census date)	82,900
Self-employed (16-64)	NOMIS Annual Population Survey, October 2021 to September 2022	17,700
“Jobs”: employees plus self-employed	Derived (82,900 + 17,700)	100,600
Ratio of working age population (16-64) to net additional jobs	Derived (142,640/100,600)	1.42
Ratio of children (0-15) to net additional jobs	Derived (37,060/100,600)	0.37
Ratio of “population in working age families” to jobs	Derived (179,700/100,600)	1.79

Step 9.2: Calculation of ratios of population to jobs: The bottom part of Table F.12 shows how three ratios of population to jobs have been calculated, using the secondary data on population and the derived "jobs" estimate in the top part of the table.

Step 9.3: Application of ratios of population to net additional jobs in the Economic Case: In the Economic Case, the ratio of 1.42 has been applied to net additional jobs at the ICF and Highlands and Islands areas as an indication of the Green Freeport's potential to stimulate in-migration of working age population (16-64) to these areas.

Annex G – Project plan

Provided in separate file.

Annex H – Governance documents

A). Inverness & Cromarty Firth Green Freeport Ltd Board – Terms of Reference

The Company under the direction of the Board has overall responsibility for the effective delivery of the Inverness and Cromarty Firth Green Freeport.

- 1) Promoting the development of the Green Freeport as a prime location to support:
 - a. regeneration and high-quality job creation to support the levelling up agenda,
 - b. decarbonisation and a just transition to a net zero economy,
 - c. global trade and investment, and
 - d. an innovative environment.
- 2) Developing and delivering of the Green Freeport's core strategy, alongside supporting strategies such as:
 - a. Skills Strategy,
 - b. Net Zero Strategy,
 - c. Innovation Strategy,
 - d. Trade & Investment Strategy, and
 - e. Retained Non-Domestic Rates Investment Strategy.
- 3) Ensuring robust management of the Green Freeport's resources by the Chief Executive, including review of monthly and annual management accounts and appropriate scrutiny of income and expenditure.
- 4) Marketing the Green Freeport to support the attraction and delivery of private investment into the Green Freeport.
- 5) Supporting investors who commit to the Green Freeport to help deliver their investment.
- 6) Co-ordinating and influencing Government and other stakeholders on matters that impact the development of the Green Freeport.
- 7) Maintaining a record of all businesses operating or applying to operate within Tax and Customs Sites.
- 8) Monitoring the compliance of businesses within the Green Freeport with obligations related to the Green Freeport, such as the Green Freeport Fair Work Charter.
- 9) Support with co-ordinating and facilitating funding submissions from entities within the Green Freeport for, for example, place-based innovation or challenge funds, and regulatory support.
- 10) Monitoring and maintaining integration with national, regional, and local economic strategies.
- 11) Complying with the Accountable Body, Scottish and UK Governments requirements on monitoring and evaluation
- 12) Reporting to the Accountable Body, Scottish and UK Governments through the area lead periodically and at least annually on the Green Freeport's performance.

- 13) Supporting the management of security risks across physical, personnel and cyber domains, and working with Scottish and UK governments, HMRC, Border Force, the NCA, and Home Office to conduct an annual audit of the security measures in place.
- 14) Developing risk management strategies and policies.
- 15) Actively promoting equality, diversity and inclusion, and identifying and mitigating against any potential impacts of the Green Freeport on people with protected characteristics.

B). Articles for Inverness & Cromarty Firth Green Freeport Ltd

Company number: SC735754

The Companies Acts 2006

Private Company Limited by Guarantee

Articles of Association

of

Inverness and Cromarty Firth Green Freeport Limited (the “Company”)

1 Defined terms and interpretation

1.1 In the Articles, unless the context requires otherwise:

“**Accountable Body**” means the local authority that will act as the accountable body on behalf of the Company for the purposes of the Green Freeports Set Up Phase Guidance and ongoing operation, which, as at the date of adoption of these Articles, is the Highland Council;

“**Associate**” means, those persons listed at Appendix 1 together with such other persons as may be admitted as an Associate of the Company from time to time in accordance with these Articles, and “**Associates**” shall be construed accordingly;

“**Associate Nominated Director**” means the person nominated to act as a director by the Associates as set out in Article 9.1;

“**address**” has the meaning given in section 1148 of the Companies Act 2006;

“**Articles**” means the Company’s articles of association as may be in place from time to time;

“**Bankruptcy**” includes individual insolvency proceedings in a jurisdiction other than Scotland which have an effect similar to that of bankruptcy;

“**Board**” means the board of Directors of the Company as may be appointed from time to time;

“**Board Nominated Director**” means the person nominated to act as a director by the Directors of the Company as set out in Article 9.4;

“CEO” means an independent individual appointed as chief executive officer of the Company to carry out the functions defined by the Board for the chief executive officer role from time to time;

“Core Member Director” has the meaning given to it in Article 9.2;

“Core Member” means, any person admitted to Membership of the Company as a Core Member of the Company from time to time in accordance with these Articles and who as at the date of these Articles are those parties set out at Article 27.2.1;

“Chair” means an independent individual appointed as chair of the Board and who carries out the other functions defined by the Board for the chair role from time to time;

“Control” has the meaning given in section 1124 of the Corporation Tax Act 2010, and the expression change of Control shall be construed accordingly;

“Connected Person” has the meaning given to it in Article 6;

“Community Director” has the meaning given to it in Article 9.5;

“Companies Acts” means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the Company;

“Director” means a director of the Company;

“Disposal” means a single transaction or a series of transactions, whether related or not, entered into by a Landholder in respect of a disposal, transfer or other alienation of an area which constitutes more than 50% of that Landholder’s Landholding, whether by way of assignation, conveyance, disposition or other transfer;

“Eligible Director” has the meaning given in Article 13.3;

“Executive Directors” means the Chair and the CEO appointed in accordance with Article 9.3;

“First Term” has the meaning given to it in Article 10.1;

“Fixed Term Director” has the meaning given to it in 10.1 and **“Fixed Term Directors”** shall be construed accordingly;

“Highland Council” means The Highland Council, a local authority constituted and incorporated under the Local Government etc. (Scotland) Act 1994 having its principal offices at Council Buildings, Glenurquhart Road, Inverness, IV3 5NX;

“ICFGFP” means the area in Scotland designated by HM Government and the Scottish Ministers as the Inverness and Cromarty Firth Green Freeport under: Regulation 2 of The

Designation of Special Tax Sites (Inverness and Cromarty Firth Green Freeport) Regulations

2024; The Land and Buildings Transaction Tax (Green Freeport Relief) (Scotland) Act 2013 Schedule 16D; Revenue Scotland and Tax Powers Act 2014; and Section 100A of the Customs and Excise Management Act 1979;

“Landholding” means any land which is owned or leased by any Landholder to the extent that it is located within any part of the Tax Sites;

“Landholder” means any Core Member who at any time has a Landholding;

“Members” means, subject to Article 27: the Core Members; any person from time to time appointed as an Associate Nominated Director, Executive Director, Board Nominated Director, and a Community Director in accordance with these Articles; and any other person admitted in accordance with Article 28 from time to time and **“Membership”** shall be construed accordingly;

“Objects” has the meaning given to it in Article 3;

“Observer” means any person appointed as a section 95 officer of the Accountable Body under section 95 of the Local Government (Scotland) Act 1973;

“Ordinary Resolution” has the meaning given in section 282 of the Companies Act 2006;

“relevant officer” means any person who is or was at any time a director, secretary or other officer (except an auditor) of the Company or any undertaking in the same group as the Company;

“Second Term” has the meaning given to it in 10.1;

“Special Resolution” has the meaning given in section 283 of the Companies Act 2006;

“Tax Site” means an area which has been designated as a freeport tax site in Scotland for the purposes of and in regulations made under section 113 of the Finance Act 2021;

“Trust Ports” means the Cromarty Firth Port Authority a body corporate established under the Cromarty Firth Port Authority Orders 1973 to 2003 and having its principal place of business at Port Offices, Shore Road, Invergordon, IV18 0HD trading as “Port of Cromarty Firth” and Port of Inverness a trust established under the Inverness Harbour Act 1847 and having its principal place of business at Harbour Office, Longman Drive, Inverness, Scotland, IV1 1SU; and

“writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

1.2 Except as expressly set out in Article 1.3, the relevant model articles (within the meaning of section 20 of the Companies Act 2006) are excluded.

1.3 Articles 4, 16, 23, 26, 27, 29, 30, 31, 32, 33, 35, 36 and 37 of the model articles (within the meaning of section 20 of the Companies Act 2006) shall apply to the Company.

1.4 Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Companies Act 2006 as in force on the date when these Articles become binding on the Company.

1.5 Except where the contrary is stated or the context otherwise requires, any reference in these Articles to legislation includes any order, regulation, instrument or other subordinate legislation made and for the time being in force under that legislation or which amends such legislation, and any reference to legislation, order, regulation, instrument or other subordinate legislation includes any amendment, extension, consolidation, re-enactment or replacement of it for the time being in force.

1.6 Words importing the singular number only include the plural and vice versa. Words importing the masculine gender include the feminine and neuter gender. Words importing persons include corporations.

2 **Liability of Member**

2.1 The liability of each Member is limited to £1.00, being the amount that each Member undertakes to contribute to the assets of the Company in the event of it being wound up while they are a Member or within one year after they cease to be a Member, for:

2.1.1 payment of the Company's debts and liabilities contracted before they cease to be a Member;

2.1.2 payment of the costs, charges and expenses of winding up; and

2.1.3 adjustment of the rights of the contributories among themselves.

3 **Objects**

The Company's objects (the "**Objects**") are specifically restricted to the promotion and delivery, and support for the promotion and delivery, of programmes and initiatives which are capable of: establishing and maintaining the ICFGFP as a national hub for global trade and investment; promoting regeneration and job creation; fostering an innovative environment; promoting decarbonisation and a just transition to a net zero economy; utilising non-domestic rates relief; and supporting Scotland and the UK's net zero targets.

4 **Powers**

4.1 In addition to any other powers it may have, the Company has the following powers in order to further the Objects (but not for any other purpose):

4.1.1 to raise funds provided that:

4.1.1.1 this shall be without prejudice to the ability of the Company to disclaim any gift, legacy or bequest in whole or in part in such circumstances as the Company may think fit; and

4.1.1.2 in raising funds the Company must comply with any relevant statutory regulations;

4.1.2 to buy, take on lease or in exchange, hire or otherwise acquire any property and any rights or privileges and to construct, maintain and alter any buildings or erections which the Company may think necessary for the promotion of the Objects;

4.1.3 to sell, lease or otherwise dispose of all or any part of the property belonging to the Company;

4.1.4 to borrow money and to charge the whole or any part of the property belonging to the Company as security for repayment of the money borrowed;

4.1.5 to co-operate with other corporate bodies, firms, charities, voluntary bodies and statutory authorities and to exchange information and advice with them in the promotion of the Objects;

4.1.6 to establish or support any trusts, associations or institutions formed for any of the purposes included in the Objects;

4.1.7 to subscribe to, become a member of, or amalgamate with any other organisation, institution, society or body not formed or established for the purposes of profit (whether incorporated or not and whether in Great Britain or Northern Ireland or elsewhere):

4.1.7.1 whose objects are wholly or in part similar to the Objects; and

4.1.7.2 which by its constitution prohibits the distribution of its income and property amongst its members to an extent at least as great as is imposed on the Company under or by virtue of Article 5,

and to purchase or otherwise acquire and undertake all such part of the property, assets, liabilities and engagements as may lawfully be acquired or undertaken by the Company or any such organisation, institution, society or body;

4.1.8 to set aside income as a reserve against future expenditure but only in accordance with a written policy about reserves;

4.1.9 to employ and remunerate such staff as are necessary for carrying out the work of the Company;

4.1.10 to:

4.1.10.1 deposit or invest funds;

4.1.10.2 employ a professional fund-manager; and

4.1.10.3 arrange for the investments or other property of the Company to be held in the name of a nominee;

4.1.11 to:

4.1.11.1 lend money and give credit to;

4.1.11.2 take security for such loans or credit from; and

4.1.11.3 guarantee and become or give security for the performance of contracts and obligations by, any person or company;

4.1.12 to subscribe for, either absolutely or conditionally, or otherwise acquire and hold, shares, stocks, debentures, debenture stock or other securities of any other Company;

4.1.13 to provide indemnity insurance for the Directors or any other officer of the Company in relation to any such liability as is mentioned in article 4.2, but subject to the restrictions specified in Article 4.3;

4.1.14 to pay out of the funds of the Company the costs of forming and registering the Company as a company duly registered under Scots law;

4.1.15 to do all or any of the things authorised by this Article 4 either alone or in conjunction with any other organisation, institution, society or body with which the Company is authorised to collaborate or amalgamate; and/or

4.1.16 to do all such other lawful things as are necessary for the achievement of the Objects.

4.2 The liabilities referred to in Article 4.1.13 are:

4.2.1 any liability that by virtue of any rule of law would otherwise attach to a director of a company in respect of any negligence, default breach of duty or breach of trust of which they may be guilty in relation to the company; and/or

4.2.2 the liability to make a contribution to the Company's assets as specified in Section 214 of the Insolvency Act 1986 (wrongful trading).

4.3 The following liabilities are excluded from Article 4.1.13:

4.3.1 fines;

4.3.2 costs of unsuccessfully defending criminal prosecutions for offences arising out of the fraud, dishonesty or wilful or reckless misconduct of the Director or other officer; and/or

4.3.3 liabilities to the Company that result from conduct that the Director or other officer knew or must be assumed to have known was not in the best interests of the Company or about which the person concerned did not care whether it was in the best interests of the Company or not.

4.4 There is excluded from Article 4.2.2 any liability to make such a contribution where the basis of the Director's liability is their knowledge prior to the insolvent liquidation of the Company (or reckless failure to acquire that knowledge) that there was no reasonable prospect that the Company would avoid going into insolvent liquidation.

5 Application of Property and Income

5.1 Subject only as set out below in this Article 5, the income and property of the Company shall be applied solely towards the promotion of the Objects.

5.2 A Director is entitled:

5.2.1 if they are an employee or contractor of the Company, to be reimbursed from the property of the Company;

5.2.2 in any event, to be paid out of such property reasonable expenses properly incurred by them when acting on behalf of the Company.

5.3 Subject to the restrictions below, a Director may benefit from director indemnity insurance cover purchased at the Company's expense.

5.4 A Director shall receive an indemnity from the Company in the circumstances specified in Article 37.

5.5 None of the income or property of the Company may be paid or transferred directly or indirectly by way of dividend, bonus or otherwise by way of profit to any Member. This does not prevent a Member who is not also a Director receiving reasonable and proper remuneration for any goods or services supplied to the Company.

6 Connected Persons

6.1 Subject to any other provision in these Articles "**Connected Person**" means:

6.1.1 a child, parent, grandchild, grandparent, brother or sister of the Director;

6.1.2 the spouse or civil partner of the Director or of any person falling within Article 6.1.1 above;

6.1.3 a person carrying on business in partnership with the Director or with any person falling within Article 6.1.1; or

6.1.4 an institution which is controlled:

6.1.4.1 by the Director or any Connected Person falling within Articles 6.1.1, 6.1.2

or 6.1.3 above; or

6.1.4.2 by two or more persons falling within Articles 6.1.1, 6.1.2 or 6.1.3 when taken together; or

6.1.5 a body corporate in which:

6.1.5.1	the Director or any Connected Person falling within Articles 6.1.1, 6.1.2 or
6.1.3:	(a) holds more than 50% of the shares; or (b) controls more than 50% of the voting rights attached to the shares; or (c) has the right to appoint one or more Directors to the board;
6.1.5.2	the Director or any Connected Person falling within Articles 6.1.1, 6.1.2 or
6.1.3	has any other form of substantial interest; or
6.1.5.3	two or more persons falling within Article 6.1.5.1(a) and 6.1.5.1(b) who, when taken together, have such a substantial interest.
7	Directors' general authority
Subject to these Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company.	
8	Number of Directors
8.1	Unless otherwise determined by the majority of the Directors:
8.1.1	the maximum number of Directors shall be twelve; 8.1.2 the minimum number of Directors shall be six; and
8.1.3	the Board shall consist of:
8.1.3.1	up to seven Core Member Directors;
8.1.3.2	up to two Executive Directors;
8.1.3.3	up to one Associate Nominated Director; 8.1.3.4 up to one Board Nominated Director; and 8.1.3.5 up to one Community Director.
9	The Appointment of Directors
9.1 The Associates shall together be entitled to nominate one Director of the Company (not being a person already appointed to the Board) who shall be an individual holding a chief executive officer position or similar from one of the Associates and to change or remove that Director from time to time subject to any conditions and procedures specified by the Board from time to time, and subject to the maximum number of Directors not being exceeded under Article 8 (the " Associate Nominated Director ").	
9.2 Each Core Member shall be entitled to appoint (by giving notice to the Company in writing) up to one Director (not being a person already appointed to the Board) (each being a " Core Member Director ") to the Board and to change or remove that Director from time to time, and subject to the maximum number of Directors not being exceeded under Article 8. Any appointment made pursuant to this Article 9.2 shall be made by notice in writing signed for and on behalf of the relevant appointing Core Member and the Core Member Director being nominated (indicating their consent to the appointment) and delivered to the Company. Such appointment shall take effect upon the date of	

lodgement of the notice at the registered office of the Company or such later date as may be specified in the notice.

9.3 The Executive Directors will be appointed by the Directors on such terms as the Board may determine from time to time.

9.4 The Board may, by majority vote, appoint one Director of the Company (not being a person already appointed to the Board) on such terms as the Board sees fit from time to time, and to change or remove that Director from time to time subject to any conditions and procedures specified by the Board from time to time, and subject to the maximum number of Directors not being exceeded under Article 8 (the “**Board Nominated Director**”).

9.5 The Board may, by majority vote, appoint a person (who is not a Connected Person and not a person already appointed to the Board) whom they believe to reflect wider representation from in or around the ICFGFP, on such terms as the Board sees fit from time to time, and to

change or remove that Director from time to time subject to any conditions and procedures specified by the Board from time to time, subject to the maximum number of Directors is not exceeded under Article 8 (the “**Community Director**”).

9.6 Upon appointment, each of the Associate Nominated Director, Executive Director, Board Nominated Director and Community Director shall become a Member.

10 Retirement of Directors

10.1 The Chair, Associate Nominated Director, Board Nominated Director and Community Director (the “**Fixed Term Directors**”) shall serve for a period of up to three years from the date of their appointments (the “**First Term**”). The Directors may elect, by majority vote, to extend the tenure of a Fixed Term Director beyond the First Term for up to a further three years (the “**Second Term**”). Upon the expiry of the First Term, or if applicable Second Term, each Fixed Term Director must retire from their role.

10.2 Where a change or removal of a Fixed Term Director occurs as set out in Article 10.1 the First Term and Second Term shall renew from the date of appointment of the new Fixed Term Director.

11 Calling a Directors’ meeting

11.1 Any Director may call a Directors’ meeting by giving notice of the meeting to the Directors or by authorising the Company secretary (if any) to give such notice.

11.2 Notice of any Directors’ meeting must indicate:

11.2.1 its proposed date and time;

11.2.2 where it is to take place; and

11.2.3 if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

11.3 Notice of a Directors’ meeting need not be in writing and must be given to each Director provided that, if a Director is absent (whether habitually or temporarily) from the United Kingdom, the Company has an address for sending or receiving documents or information by electronic means to or from that Director outside the United Kingdom.

11.4 Notice of a Directors’ meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than seven days after

the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

12 Directors to take decisions collectively

The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 13.

13 Unanimous decisions

13.1 A decision of the Directors is taken in accordance with this Article 13 when all Eligible Directors indicate to each other by any means that they share a common view on a matter.

13.2 Such a decision may take the form of a resolution in writing signed by each Eligible Director (whether or not each signs the same document) or to which each Eligible Director has otherwise indicated agreement in writing.

13.3 References in these Articles to eligible directors (“**Eligible Directors**”) are to Directors who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors’ meeting (but excluding any Director whose vote is not to be counted in respect of that particular matter).

13.4 A decision may not be taken in accordance with this Article 13 if the Eligible Directors would not have formed a quorum at such a meeting.

14 Quorum for Directors' meetings

14.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

14.2 The quorum for Directors' meetings may be fixed from time to time by a decision of the Directors, but it must never be less than five, and unless otherwise fixed:

14.2.1 the quorum will be 6 where there are 12 or more Directors; or

14.2.2 the quorum will be 5 where there are less than 12 Directors.

14.3 Where a Director is absent (without permission of the Directors) from three or more consecutive Directors’ meetings, that Director is not to be counted in the quorum for the purposes of Article 14.2. For the purpose of this Article 14.3, attendance by way of alternate or representative shall be deemed to be attendance.

14.4 If the total number of Directors for the time being is less than the quorum required, the Directors must not take any decision other than a decision:

14.4.1 to appoint further Directors; or

14.4.2 to call a general meeting so as to enable the Members to appoint further Directors.

14.5 Notwithstanding the provisions of this Article 14, the Accountable Body shall be entitled to appoint one person as an Observer (who shall be entitled to report to the Accountable Body on the affairs of the Company and any Member of the Company) by notice to the Company and shall be entitled to remove and replace any such Observer. The Observer shall act as a representative of the Accountable Body and shall not be entitled to any remuneration whatsoever from the Company. The Observer shall be entitled to receive notice of and table items for discussion, attend and speak at Directors’ meetings but shall have no right to vote. The Observer shall be entitled to receive all

information sent to Directors in advance of Directors' meetings and at the same time as sent to Directors.

15 Chairing of Directors' meetings

15.1 The Chair shall chair the meetings of Directors.

15.2 If the Chair is unwilling to chair the meeting or is not participating in a Directors' meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it.

16 Casting vote

If the numbers of votes for and against a proposal are equal at a Directors' meeting, the Chair of the Directors' meeting shall have a casting vote. **17 Conflicts of Interest**

17.1 A Director must:

17.1.1 declare the nature and extent of any interest, direct or indirect, which she/he has in a proposed transaction or arrangement with the Company or in any transaction or arrangement entered into by the Company which has not previously been declared; and

17.1.2 absent themselves from any discussions of the Directors in which it is possible that a conflict will arise between their duty to act solely in the interests of the Company and any personal or other interest (including but not limited to any personal financial interest).

17.2 If a conflict of interest arises for a Director because of a personal interest or a duty of loyalty owed to another and the conflict is not authorised by virtue of any other provision in these Articles, the Eligible Directors may authorise such a conflict of interest where the following conditions apply:

17.2.1 the conflicted Director is absent from the part of the meeting at which there is discussion of any arrangement or transaction affecting that conflicted Director;

17.2.2 the conflicted Director does not vote on any such matter and is not to be counted when considering whether a quorum of Directors is present at the meeting; and

17.2.3 the Directors consider it is in the interests of the Company to authorise the conflict of interest in the circumstances applying.

17.3 In this Article a conflict of interest arising because of a duty of loyalty owed to another person only refers to such a conflict which does not involve a direct or indirect benefit of any nature to a Director or to a Connected Person.

17.4 Subject to Article 17.2, all acts done by a meeting of Directors, or of a committee of Directors, shall be valid notwithstanding the participation in any vote of a Director:

17.4.1 who was disqualified from holding office; or

17.4.2 who had previously retired or who had been obliged by these Articles to vacate office; or

17.4.3 who was not entitled to vote on the matter, whether by reason of a conflict of interest or otherwise, if without:

17.4.3.1 the vote of that Director; and

17.4.3.2 that Director being counted in the quorum, the decision has been made by a majority of the Directors at a quorate meeting.

17.5 Article 17.4 does not permit a Director or Connected Person to keep any benefit that may be conferred upon them by a resolution of the Directors or of a committee of Directors if, but for Article 17.4, the resolution would have been void, of if the Director has not complied with Article 17.1.

18 Directors may delegate

18.1 Subject to these Articles, the Directors may delegate any of the powers which are conferred on them under these Articles:

18.1.1 to such person or committee;

18.1.2 by such means (including by power of attorney);

18.1.3 to such an extent;

18.1.4 in relation to such matters or territories; and 18.1.5 on such terms and conditions,

as they think fit. The power to delegate shall be effective in relation to the powers, authorities and discretions of the Directors generally and shall not be limited by the fact that in certain of these Articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the Directors or by a committee authorised by the Directors.

18.2 If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

18.3 The Directors may revoke any delegation in whole or part, or alter its terms and conditions.

19 Committees

19.1 Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of these Articles which govern the taking of decisions by Directors.

19.2 A member of a committee need not be a Director.

19.3 The Directors may make rules of procedure for all or any committees, which prevail over rules derived from these Articles if they are not consistent with them.

20 Records of decisions to be kept

The Directors must ensure that the Company keeps a record, in hard copy form, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the Directors.

21 Termination of Director's appointment

21.1 A person ceases to be a Director as soon as:

21.1.1 that person ceases to be a Director by virtue of any provision of the Companies Acts or is prohibited from being a Director by law;

21.1.2 a Bankruptcy order is made against that person;

21.1.3 a composition is made with that person's creditors generally in satisfaction of that person's debts;

21.1.4 a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months;

21.1.5 the other Directors unanimously decide to remove that Director, for any reason and at their discretion;

21.1.6 the Core Members may pass an Ordinary Resolution to remove a Director, for any reason;

21.1.7 notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms; or

21.1.8 they are otherwise duly removed from office.

22 Directors Benefits

22.1 No Director or Connected Person may:

22.1.1 buy goods or services from the Company on terms preferential to those applicable to members of the public;

22.1.2 sell goods, services or any interest in land to the Company;

22.1.3 (with the exception of the Executive Directors) be employed by or receive any remuneration from the Company; or

22.1.4 (with the exception of the Executive Directors) receive any other financial benefit from the Company,

unless the payment is permitted by Articles 22.2 to 22.4 and does not exceed an amount that is reasonable in all the circumstances.

22.2 An Executive Director or Connected Person may enter into a contract of employment with, or for the supply of goods or services to the Company.

22.3 A Director or Connected Person may receive rent for premises let by the Director or Connected Person to the Company, if the amount of the rent and the other terms of the lease are reasonable and proper and provided that the Director shall withdraw from any meeting at which such a proposal or the rent or other terms of the lease are under discussion.

22.4 The Directors may arrange for the purchase, out of the funds of the Company, of insurance designed to indemnify the Directors in accordance with the terms of Article 5.4.

23 Directors' expenses

23.1 The Company may pay any reasonable expenses which the Directors (and any alternate directors or Company secretary) properly incur in connection with their attendance at:

23.1.1 meetings of Directors or committees of Directors;

23.1.2 general meetings; and

23.1.3 separate meetings of the holders of debentures of the Company,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

24 Appointment and removal of alternate directors

24.1 Any Director may appoint as an alternate any other Director, or any other person, to:

24.1.1 exercise that Director's powers; and

24.1.2 carry out that Director's responsibilities,

in relation to the taking of decisions by the Directors, in the absence of the alternate's appointor.

24.2 Any appointment or removal of an alternate must identify the proposed alternate and be effected by notice in writing to the Company signed by their appointor, or in any other manner approved by the Directors.

25 Rights and responsibilities of alternate directors

25.1 An alternate Director may act as alternate director to more than one Director and has the same rights in relation to any decision of the Directors as the alternate's appointor.

25.2 Except as these Articles specify otherwise, alternate directors:

25.2.1 are deemed for all purposes to be Directors;

25.2.2 are liable for their own acts and omissions;

25.2.3 are subject to the same restrictions as their appointors; and 25.2.4 are not deemed to be agents of or for their appointors

and, in particular (without limitation), each alternate director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which their appointor is a member.

25.3 A person who is an alternate director but not a Director:

25.3.1 may be counted as participating for the purposes of determining whether a quorum is present (but only if that person's appointor is not participating);

25.3.2 may participate in a unanimous decision of the Directors (but only if their appointor is an Eligible Director in relation to that decision, but does not participate); and

25.3.3 shall not be counted as more than one Director for the purposes of Articles 25.3.1 and 25.3.2.

25.4 A Director who is also an alternate director is entitled, in the absence of their appointor, to a separate vote on behalf of their appointor, in addition to their own vote on any decision of the Directors (provided that their appointor is an Eligible Director in relation to that decision), but shall not count as more than one Director for the purposes of determining whether a quorum is present.

25.5 An alternate director is not entitled to receive any remuneration from the Company for serving as an alternate director except such part of the alternate's appointor's remuneration as the appointor may direct by notice in writing made to the Company.

26 Termination of alternate directorship

26.1 An alternate Director's appointment as an alternate terminates:

26.1.1 when the alternate's appointor revokes the appointment by notice to the Company in writing specifying when it is to terminate;

26.1.2 on the occurrence, in relation to the alternate, of any event which, if it occurred in relation to the alternate's appointor, would result in the termination of the appointor's appointment as a Director;

26.1.3 on the death of the alternate's appointor;

26.1.4 when the alternate's appointor's appointment as a Director terminates; or

26.1.5 when the alternate is removed in accordance with these Articles.

27 **Membership**

27.1 With the exception of the right conferred at Article 9.1 Associates shall have no other rights conferred upon them and Associate membership shall not be transferable.

27.2 Core Membership shall only be open to:

27.2.1 (1) Global Energy (Holdings) Limited (2) Highlands and Islands Enterprise, (3) Haventus Group Holdings Limited, (4) Inverness Port Services Limited, (5) Port of Cromarty Firth Limited (6) University of the Highlands and Islands, and (7) Highland Council (the "**Core Members**"); and

27.2.2 those persons who have been approved in accordance with Article 28.

27.3 Core Members shall be entitled to receive notice of and vote on matters requiring a vote of the Members. The Core Member Directors shall exercise the voting power on behalf of the Core Member who appointed them in accordance with Article 9.2.

27.4 Each person appointed to the Board as a Director shall be conferred a right to receive notice of and vote on all matters requiring a vote of the Members.

27.5 Membership is not transferable.

27.6 The Directors must keep a register of names and addresses of the Members

28 **New Members**

28.1 Membership in the Company is open to persons who :

28.1.1 apply to the Company in the application form as set out in Appendix 2, or any other form required by the Directors from time to time; and

28.1.2 are approved by the Directors.

28.2 Each new member of the Company shall either sign a written consent to become a Member or sign the register of members on becoming a Member.

28.3 The Directors may only refuse an application for Membership if:

28.3.1 in their reasonable opinion, the applicant does not possess the applicable characteristics for Membership in the Company; and/or

28.3.2 acting reasonably and properly, they consider it to be in the best interests of the Company to refuse the application.

29 Termination as a Member

29.1 Membership is terminated with immediate effect if:

29.1.1 the person is a Member by reason of them being a Director and their directorship ceases;

29.1.2 the Member (being a natural person) dies or (not being a natural person) ceases to exist;

29.1.3 a change in Control occurs in relation to the Member;

29.1.4 the Member resigns by written notice to the Company unless, after the resignation, there would be less than two Members;

29.1.5 any sum due from the Member to the Company is not paid in full within three months of it falling due; or

29.1.6 the Member, with the exception of the Accountable Body and the Trust Ports, is removed by a special resolution of the Members stating that it is in the best interests of the Company that their position as a Member is terminated, provided that such a resolution to remove a Member may only be passed if:

29.1.6.1 the relevant Member has been given at least twenty-one days' notice in

writing of the meeting of the Members at which the resolution will be proposed, and the reasons why it is to be proposed; and

29.1.6.2 the relevant Member or, at the option of that Member, their representative (who need not be a Member) has been allowed to make written representations to be considered by the Directors and/or Members at the meeting.

29.1.7 a Core Member completes a Disposal of their Landholding, the Directors will have a right to review, and where they see fit terminate, that Core Member's Membership.

30 Quorum for general meetings

30.1 No business is to be transacted at any general meeting unless a quorum is present.

30.2 A quorum is the greater of:

30.2.1 four Core Members in person or by proxy and entitled to vote upon the business to be conducted at the meeting; or

30.2.2 one third of the total Members at the time.

31 Proceedings at General Meetings

31.1 The Chair shall chair general meetings if present and willing to do so.

31.2 If for any reason, there is no Chair, or if the Chair is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start the Directors present must appoint one of their number to chair the meeting, and the appointment of the chair of the meeting must be the first business of the meeting.

31.3 The person chairing a meeting in accordance with this Article 31 is referred to as 'the chair of the meeting'.

31.4 If:

31.4.1 a quorum is not present within half an hour from the time appointed for the meeting, or

31.4.2 during a meeting a quorum ceases to be present,

the meeting shall be adjourned to such time and place, being not less than seven clear days and not more than twenty-one clear days following the date of the meeting, as the Directors shall determine.

31.5 The Directors must reconvene the meeting and must give at least seven clear days' notice of the reconvened meeting stating the date, time and place of the meeting.

31.6 If no quorum is present at the reconvened meeting within fifteen minutes of the time specified for the start of the meeting, the Members present in person or by proxy at that time shall constitute the quorum for that meeting.

31.7 The Members present in person or by proxy at a meeting may resolve by Ordinary Resolution that the meeting shall be adjourned.

31.8 The person who is chairing the meeting must decide the date, time and place at which the meeting is to be reconvened unless those details are specified in the resolution.

31.9 No business shall be conducted at a reconvened meeting unless it could properly have been conducted at the meeting had the adjournment not taken place.

31.10 If a meeting is adjourned by resolution of the Members for more than seven days, at least seven clear days' notice shall be given of the reconvened meeting, stating the date, time and place of the adjourned meeting.

32 Power to change the Company's name

The Directors may from time to time change the name of the Company to any name considered by the Directors to be advantageous, expedient or otherwise desirable.

33 Power to change the Articles

33.1 Subject to section 631 of the Companies Act 2006, these Articles may be amended or superseded by a new set of articles of association from time to time by the Members passing a special resolution (as defined in section 283 of the Companies Act 2006) either by way of a written resolution of the Members of the Company or at a validly convened general meeting of the Company.

33.2 The rights conferred on the Members shall be deemed to be varied by any amendment to these Articles.

34 Rules or Bye Laws

The Company may from time to time make such rules or bye laws as they may deem necessary or expedient or convenient for the proper conduct and management of the Company. The Company in general meeting shall have the power to alter or repeal the rules or bye laws and to make additions thereto and the Directors shall adopt such means as they deem sufficient to bring to the notice of Member of the Company all such rules or bye laws, which so long as they shall be in force, shall be

binding on all Members of the Company. No rule or bye law shall be inconsistent with, or shall affect or repeal anything contained in, these Articles.

35 Means of communication to be used

35.1 Subject to these Articles, anything sent or supplied by or to the Company under these Articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.

35.2 Except insofar as the Companies Acts require otherwise, the Company shall not be obliged to accept any notice, document or other information sent or supplied to the Company in electronic form unless it satisfies such stipulations, conditions or restrictions (including, without limitation, for the purpose of authentication) as the Directors think fit, and the Company shall be entitled to require any such notice, document or information to be sent or supplied in hard copy form instead.

35.3 In the case of a Member that is a corporation, for all purposes, including the execution of any appointment of proxy, resolution in writing, notice or other document (including anything sent or supplied in electronic form) executed or approved pursuant to any provision of these Articles, execution by any Director or the secretary of that corporation or any other person who appears to any officer of the Company (acting reasonably and in good faith) to have been duly authorised to execute shall be deemed to be and shall be accepted as execution by that corporation.

35.4 A Member whose registered address is not within the United Kingdom and who notifies the Company of an address within the United Kingdom at which notices, documents or other information may be served on or delivered to them shall be entitled to have such things served on or delivered to them at that address (in the manner referred to above), but otherwise no such Member shall be entitled to receive any notice, document or other information from the Company. If the address is that Member's address for sending or receiving documents or information by electronic means the Directors may at any time without prior notice (and whether or not the Company has previously sent or supplied any documents or information in electronic form to that address) refuse to send or supply any documents or information to that address.

35.5 Subject to these Articles, any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being.

35.6 A Director may agree with the Company that notices or documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

36 Secretary

Subject to the Companies Act 2006, the Directors may appoint a company secretary (or two or more persons as joint secretary) for such term, at such remuneration and upon such conditions as the Directors may think fit; and any company secretary (or joint secretary) so appointed may be removed by the Directors. The Directors may also from time to time appoint on such terms as they think fit, and remove, one or more assistant or deputy secretaries.

37 Indemnity

37.1 Subject to Article 37.1.2 (but without prejudice to any indemnity which a relevant officer is otherwise entitled):

37.1.1 a relevant officer may be indemnified out of the Company's assets to whatever extent the Directors may determine against:

37.1.1.1 any liability incurred by that officer in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any undertaking in the same group as the Company;

37.1.1.2 any liability incurred by that officer in connection with the activities of the Company or a group undertaking in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006);

37.1.1.3 any other liability incurred by that officer as an officer of the Company or any undertaking in the same group as the Company; and

37.1.1.4 the Company may, to whatever extent the Directors may determine, provide funds to meet expenditure incurred or to be incurred by a relevant officer in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by them in relation to the Company or any undertaking in the same group as the Company, or any investigation, or action proposed to be taken, by a regulatory authority in that connection, or for the purposes of an application for relief, or in order to enable the relevant officer to avoid incurring such expenditure.

37.1.2 This Article 37 does not authorise any indemnity that would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

38 Insurance

38.1 The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant officer in respect of any relevant loss.

38.2 In this Article 38, a relevant loss means any loss or liability which has been or may be incurred by a relevant officer in connection with that officer's duties or powers in relation to the Company, any undertaking in the same group as the Company or any pension fund or employees' share scheme of the Company or any undertaking in the same group as the Company.

Appendix 1 Associates of the Company

Associates	Registered office address
1. Aurora Energy Services Limited	17v House, Straloch, Newmachar, Aberdeenshire, United Kingdom, AB21 0RW
2. Aventus Energy Ltd	3 Riverside, Evanton, Dingwall, Highland, Scotland, IV16 9UG
3. Buchan Offshore Wind Limited	Suite 3b, 58 Waterloo Street, Glasgow, United Kingdom, G2 7DA
4. Caledonia (Ocean Winds)	Shepherd and Wedderburn LLP, Octagon Point, 5 Cheapside, London EC2V 6AA
5. Fred. Olsen Windcarrier Limited	61 Alexandra Road, Lowestoft, Suffolk, NR32 1PL
6. Global Energy (Holdings) Limited / Port of Nigg	13 Henderson Road, Inverness, Inverness-Shire, IV1 1SP
7. Haventus Group Holdings Limited	Level 4 Dashwood House, 69 Old Broad Street, London, United Kingdom, EC2M 1QS

8. Highland Council	Council Headquarters, Glenurquhart Road, Inverness, Scotland, United Kingdom, IV3 5NX
9. Highland Deephaven Limited	Administration Building, Highland Deephaven Ind Estate, Evanton, Dingwall, Ross-Shire, IV16 9XP
10. Highlands & Islands Enterprise	An Lochran, 10 Inverness Campus, Inverness, United Kingdom, IV1 1BA
11. Inverness Airport Business Park Limited	C/O Highlands & Islands Airports, Limited, Head Office, Inverness Airport, Inverness, IV2 7JB
12. Inverness Port Services Limited	35 Slackbuie Way, Inverness, Scotland, IV2 6AT
13. Nightingale Trusts	25 West Square, London SE11 4SP
14. North East Nutrition Scotland Limited	C/O Brodies Llp, 110 Queen Street, Glasgow, United Kingdom, G1 3BX
15. Orsted (Stromar)	2nd Floor 2 Lochrin Square, 96 Fountainbridge, Edinburgh, Scotland, EH3 9QA
16. Offshore Wind Power Limited	Clava House, Cradlehall Business Park, Inverness IV2 5GH
17. Port of Cromarty Firth Limited	Cromarty Firth Port Authority, Port Office, Shore Road, Invergordon, Ross-Shire, IV18 0HD
18. Pitcalzean Farm	Wester Rarichie Farm, Fearn, Tain, Ross-shire, IV20 1XH
19. PSG Marine & Logistics Limited	Office Units 20-21 Invergordon Service Base, Shore Road, Invergordon, Scotland, IV18 0EX
20. Renantis UK Limited	Third Floor, 10 Lower Grosvenor Place, London, England, SW1W 0EN
21. Scottish Power Limited	320 St. Vincent Street, Glasgow, Scotland, G2 5AD
22. Serimax Limited	16 Airfield Road, Evanton, Ross-Shire, IV16 9XJ
23. Shell PLC	Shell PLC – Shell Centre, London, SE1 7NA
24. SSE PLC	Inveralmond House, 200 Dunkeld Road, Perth, Perthshire, PH1 3AQ
25. Storegga Limited	2 nd Floor 1-2 Hatfields, London, United Kingdom, SE1 9PG
26. Thistle Wind Partners Limited	The Capital Building, 12-13 St Andrew Square, Edinburgh, EH2 2AF
27. University of the Highlands & Islands	UHI House Old Perth Road, Raigmore, Inverness, Scotland, IV2 3JH

Appendix 2 Application for admission as a Core Member and/or Associate

The Directors

Inverness and Cromarty Firth Green Freeport Limited
Inverness & Cromarty Firth Green Freeport Limited,
The Green House,
Beechwood Business Park North,
Inverness,
Highland,
IV2 3BL

[Date]

Dear Sirs

Application for admission as a [Core Member and/or] Associate of Inverness and Cromarty Firth Green Freeport Limited (the "Company") (Company number SC735754)

[I]/[We], the undersigned of the above address, wish to apply to become a [Core Member and/or] Associate of the Company and agree to be bound by the provisions of the Company's articles of association and any rules and / or byelaws of the Company made thereunder and as may be in force from time to time.

[I]/[We] hereby agree to contribute a maximum amount of £1.00 (one pound Sterling) to the assets of the Company in the event of the Company being wound up while [I am]/[we are] a [Core Member and/or] Associate of the Company or within one year after [I]/[we] cease to be a [Core Member and/or] Associate.

Subject to [my]/[our] application being successful, [I]/[we] hereby authorise you to enter [my]/[our] name in the Company's register of members.

Yours faithfully

[Signature]

[Director / Authorised signatory]

[For and on behalf of []]

[Print name]

C). Recruitment & Staffing

Board appointments will be made on the basis as outlined in section 5a. The process for appointment of the Chair and Board directors will be detailed in the updated Memorandum and Articles.

All appointments of remunerated staff, including the Chair, will follow an open competitive selection process. Recruitment or reappointment of the Chair will be supported by the Chief Executive Officer but determined by the appointment sub-Group on the Board.

The creation of posts is a strategic decision which will require ratification by the Board. Once approved by the Board all recruitment will follow open recruitment process supported by the HR resource contracted by ICG Green Freeport Ltd.

Remuneration levels for all posts also required approval by the Board, and advice will be taken on prevailing market rates for comparable posts.

The anticipated duration of operation of the Green Freeport is such that permanent contracts of employment will be awarded. Where it is anticipated a fixed term appointment is optimal the job advert will first be issued to consortium partners including Highland Council and other public sector partners. If a suitable secondee cannot be identified, then an open recruitment process will commence.

D). Financial Governance to meet the Council's Accountable Body requirements

The following three aspects to be considered:

1. Council's procedure to release funding to Inverness & Cromarty Firth Green Freeport Ltd; and
2. Reporting obligations placed on the Council as the Accountable Body for the Freeport initiative.
3. Conflicts resolution

1. Council's procedure to release funding to Inverness & Cromarty Firth Green Freeport Ltd

The Accountable Body will be responsible for ensuring that all relevant regulations and best practice standards including those in public procurement will be met in the use of seed capital and that Value for Money and the policy objectives will be delivered.

This section of the report outlines the processes to be used for drawing down funding provided to the Council and the second section of this report outlines the governance and reporting procedures to be adopted in order to fulfil the Accountable Body requirements.

RDEL funding (of up to £1m)

A claim for drawing down RDEL funding will require to be submitted to the Council by Inverness & Cromarty Firth Green Freeport Ltd and supported by a cash flow statement showing the expenditure to be incurred and any other income received towards funding these set up costs.

Seed funding

Similarly, a claim for Seed funding should be made to the Council by Inverness & Cromarty Firth Green Freeport Ltd and supported by verifying documentation which could include documents such as contract valuations, contract milestones achieved, and contract cash flows.

One risk to be identified under the seed funding category is that the profile of the Seed Funding payments to be made by the Governments to the Council is not yet known and consequently the timing of seed funding received by the Council may or may not match the profile and timing of funding required by Inverness & Cromarty Firth Green Freeport Ltd for meeting the costs of individual Seed projects. If at any time the amount of Seed Funding received and held by the Council should not be sufficient to meet the funding requirements claimed by Inverness & Cromarty Firth Green Freeport Ltd, the Council and Inverness & Cromarty Firth Green Freeport Ltd will jointly confirm the allocation of the available funding.

Funding from Additional Non-Domestic Rates Income generated within the Green Freeport

Net retained NDR are public funds and, as such, the Highland Council will act as the Accountable Body for audit and accounting purposes. The Highland Council must sign off any investments from the net retained NDR fund and has the right of veto.

As Accountable Body, the Council will remain accountable for the use of the retained non-domestic rates (as public funds), and the strategic direction for the use of retained non-domestic rates should be set by the Inverness & Cromarty Firth Board.

In addition to its role as Accountable Body and in recognition of the key role it may play in delivering some of the NDR funded infrastructure, it is proposed the Highland Council be a key consultee in the formation of the NDR Investment Plan by the Green Freeport Company. This process will seek views

from elected members and senior leadership to identify opportunities and challenges in delivering the aims of the Green Freeport, with the format and process for this input being determined by the Highland Council.

The Highland Council will also be required to endorse the NDR Investment Plan in its role as Accountable Body in terms of governance and alignment with the stated aims of the Green Freeport. Following this process the Green Freeport Company Board will then approve the plan and share with the Scottish and UK Governments.

The Green Freeport Company will review the Green Freeport NDR Investment Plan at a minimum every three years, but it's proposed this be more frequently, e.g. every two years, if the economic and emerging inward investment opportunities merit earlier review. The above proposed consultation with the Highland Council will occur each time the Investment Plan is reviewed.

Inverness & Cromarty Firth Green Freeport Ltd will submit a claim, with relevant supporting back up documentation for the drawdown of funding from the additional rates income generated within the freeport.

The Baseline Income, as well as the amount of income to be retained (the Additional Green Freeport Income) will be calculated annually using the Green Freeport annual return, which the Highland Council, in its capacity as Rating Authority, will provide in the June after the end of the financial year. The Highland Council will report its Green Freeport non-domestic rates retentions as part of the standard process part of non-domestic rates income returns to the Scottish Government.

Interest earned on any NDR balances will accrue to the Fund. Net retained NDR will be held by The Highland Council until the point at which payments are required to support approved investment projects. These projects must also be approved by the Highland Council in its capacity as Accountable Body.

2. Reporting obligations placed on the Council as the Accountable Body for the Green Freeport Initiative

The annual reporting obligation on the Council is that the Chief Financial Officer of the Accountable Body will be required to supply the following covering the period to up to 30th September:

- I. A written statement detailing the checks that the Chief Finance Officer has taken to assure themselves that the Green Freeport Governing Body (in this case Inverness & Cromarty Firth Green Freeport Ltd) has in place the processes that ensure proper administration of financial affairs relating to freeports, ensuring proprietary, regularity and value for money are being achieved and that processes are not overwritten by management. It should also detail the main concerns or risks identified and the recommendations made to mitigate those risks.
- II. A letter of assurance to the Scottish Government Accounting Officer confirming that, having considered all the relevant information, they are of the opinion that the financial affairs of the Freeport are being properly administered.
- III. Details of the checks and assessments completed against the Freeport governing body to ensure regular and proper financial decision making.

To fulfil these reporting obligations the Council will require Inverness & Cromarty Firth Green Freeport Ltd to liaise and fully cooperate with the Council and to have the required information to 30th September in each year available in time to allow the Council's Chief Financial Officer to submit the detail annually by the stipulated date of 30th November.

In relation to verifying that the necessary processes are in place to ensure that proper administration of financial affairs relating to freeports, ensuring proprietary, regularity and value for money are being achieved, the Council's Chief Financial Officer will:

- I. Require to be provided with a copy of an annual realistic balanced budget for Inverness & Cromarty Firth Green Freeport Ltd that has been compiled and formally approved in advance of the start of each financial year.
- II. Require to see evidence of a strong budgetary control regime being in place with regular, of at least quarterly, reporting of financial variances from the budgetary amounts being reported to the Board of Inverness & Cromarty Firth Green Freeport Ltd.
- III. Require to be provided with a copy of Inverness & Cromarty Firth Green Freeport Ltd's Audited Annual Accounts including a copy of the External Audit Report and with the ability to seek clarification on any points from Inverness & Cromarty Firth Green Freeport Ltd or from the company's External Auditor.
- IV. Require to be provided with a copy of the papers to be considered at meetings of Inverness & Cromarty Firth Green Freeport Ltd's Board.
- V. Require to be advised of any issues adversely affecting the applicability of the Going Concern principle to Inverness & Cromarty Firth Green Freeport Ltd and of any issues affecting the provision of banking facilities to the company.
- VI. Require to be provided with a copy of any Notice/Warning Notice/Penalty Notice, or any communication of similar nature, received by Inverness & Cromarty Firth Green Freeport Ltd from HMRC or any other body.
- VII. Require to be advised of any developments within the Green Freeport that will require funding of above £20k to be provided by Inverness & Cromarty Firth Green Freeport Ltd and to receive information on costs and tender prices for the development.
- VIII. Request that Inverness & Cromarty Firth Green Freeport Ltd complete an annual Declaration to include, but not be limited to, confirming that:
 - All relevant regulations and best practice standards have been applied and used in the operation of the Green Freeport;
 - The operation, integrity and security of the Tax Sites and Customs Sites within the Freeport have been maintained in accordance with HMRC requirements;
 - The operators within the Tax Sites and Customs Sites continue to hold the relevant tax status to allow them to use the Tax or Customs Site; and
 - That all taxes including VAT levied on and under the control of Inverness & Cromarty Firth Green Freeport Ltd have been properly accounted for and paid to the relevant authority.
 - the internal control environment operated by the company throughout the reporting period is considered to be sufficient and appropriate.
- IX. In addition, the Accountable Body shall be entitled to request and be provided with such other information as it may seek from the Freeport to allow it to fulfil its Accountable Body function including for example Risk Register, Register of Interests and Internal Control Policy documents.

3. Conflict resolution

Should conflict arise between ICFGF Ltd and the Highland Council all efforts should be to resolve the matter locally, failing that the Scottish Government will be asked to be arbiter.

Annex I – Letters from customs site operators

Provided in separate file.

Annex J – Innovation strategy

Context

Opportunities for innovation in the Green Freeport area

Inverness and Cromarty Firth Green Freeport (ICFGF) sits at the heart of the UK's energy transition. The Highlands are currently home to more renewable energy sources than any other region in the UK with a history stretching back to the great post-war hydro schemes right up to the large-scale onshore wind farms of the 21st century.

ScotWind now puts the region and the Green Freeport at the heart of the revolution in green energy – not just offshore wind but green hydrogen, energy storage, manufacturing and the decarbonisation of heat and transport. Eleven of the 20 new sites in the ScotWind leasing round are offshore from the Highlands and Islands, bringing substantial opportunities for manufacturing, assembly and operations and maintenance. Using the Green Freeport to secure these opportunities for the region creates a hub of innovation and skills in green energy which can be exported around the globe.

Innovation will be the key to this green energy revolution, building on significant expertise and infrastructure in the Cromarty and Inner Moray Firth through the ports of Cromarty Firth, Nigg, Inverness and Ardersier. The area has a proven record in renewables, and an experienced local supply chain with clear potential to maximise the opportunities that derive from offshore wind.

The region is well-placed to develop a significant hydrogen presence due to abundant resources and proximity to domestic and European markets and this sector will require innovation to mitigate current barriers to progress.

Other renewables are well represented in the wider Highlands and Islands including hydro and pumped storage as well as a significant pedigree of innovation in wave and tidal energy centred on Orkney.

The Inverness Campus is home to a cluster of high growth life science businesses and academics co-located with the NHS and public sector support. The Life Sciences Innovation Centre is a recently opened healthcare research centre, alongside the Rural and Agriculture Innovation Centre which specialises in the blue and green economies; most notably, epidemiology, zoonosis and infectious disease control. The ICFGF will enable a new phase of expansion at the Campus with continued focus on developing innovative life sciences businesses while also expanding its attraction to companies supporting other key themes such as port innovation, hydrogen, the renewables supply chain and the emerging space industry cluster in the Highlands.

Existing local innovation ecosystem

Our area is home to a thriving innovation ecosystem and businesses within the ICFGF can already access a wide range of innovation support.

Local

Local academic support is centred on the University of the Highlands and Islands (UHI) which is developing capabilities in tidal, wave and future energy, offshore wind and hydrogen, energy management systems, net zero aviation, environmental impact monitoring and Rural Health.

Scotland's Rural University College (SRUC) is also constructing a new facility on the Inverness Campus, providing further potential support to innovation in life sciences. SRUC has research programmes which potentially could support new life sciences and technology businesses establishing in the area working in the areas of genetics and genomics, disease and epidemiology and management of carbon emissions.

Academic partnerships are also developed through Interface who facilitate effective collaborations between organisations and universities, colleges, and research institutes. Interface have dedicated resources in the Highlands and Islands working closely with HIE and are a partner in the development of the PowerHouse.

Highlands and Islands Enterprise (HIE) are the local economic and community development agency headquartered on the Inverness Campus and provide extensive innovation support mechanisms, including innovation advisors, R&D grants, technology placements and accelerators. HIE also facilitate local support from Innovation Centres, the Scottish Manufacturing Advisory Service (SMAS) and the wider Catapult Network. HIE also hosts Wave Energy Scotland who support innovation and commercialisation in wave energy. The DeepWind cluster is also operated by HIE in partnership with Scottish Development International and is the largest OW representative body in Europe with over 890 members.

HIE will also operate the Manufacturing and Innovation Centre for Moray, a Moray Growth Deal project to foster innovation, productivity and digital adoption in local manufacturing businesses which will begin operation in late 2024. MICM will be located at Enterprise Park, Forres which is less than 30km from the Ardersier tax site.

The Northern Innovation Hub, part of the Inverness City Region Deal, delivers a range of support to businesses, including workshops, advice and placements and has a particular focus on young people and technology.

In the wider Highlands and Islands area, Orkney is home to the European Marine Energy Centre (EMEC) – a world leading tidal and wave energy Centre of Excellence.

Aberdeen University has had a long-standing presence at Cromarty investigating marine environments, which can provide expertise to help industry innovate to minimise its impact on the marine environment and accelerate consenting timetables.

Scotland

Wider innovation support is available through the network of Scottish Innovation Centres which includes CENSIS (IoT and sensor technology), the Data Lab (data science), IBioIC (life sciences), BE-ST (built environment), Net Zero Technology Centre (NZTC – energy transition) and the National Manufacturing Institute of Scotland (NMIS advanced manufacturing, forming and materials). The Innovation Centres are hosted by various Scottish Universities.

UK and beyond

The UK-wide Offshore Renewables Catapult networks has two sites in Scotland and can be accessed directly and through innovation partners including HIE.

The UK wide High Value Manufacturing Catapult network can also be accessed through NMIS.

Innovate UK have a strong relationship with HIE and are the primary funders of R&D and Innovation across the UK.

A list of key innovation stakeholders is shown below and a detailed list of local, Scottish and UK assets are attached as Appendix B.

Engagement with innovation stakeholders

The development of the ICFGF Innovation Strategy has involved a range of stakeholders who will also support its implementation. A summary of stakeholder engagement is provided in

Table 71 – Innovation stakeholder engagement

Location	Organisation	Engagement	How the stakeholder will support Green Freeport innovation objectives	How the Green Freeport supports the objectives of the stakeholder
Highland s based	UHI	UHI is a member of the Inverness and Cromarty Firth Green Freeport's PowerHouse and the ICGFG Ltd Board	Provision of academic support and expertise to businesses in life sciences, engineering, business and environmental science Provision of prototyping, laboratory space and hotdesking facilities for companies Sector events Start-up support services Skills development programmes, support to educators STEM engagement Foster collaboration, innovation and idea sharing between our educational, academic, industry, community and NHS members	Creates demand for new courses Creates growth in emerging sectors Increase in business innovation capacity and engagement Skills development programmes, STEM initiatives, community engagement and knowledge exchange
	Highlands and Islands Regional Economic Partnership (HIREP). Grouping of Local Authorities, UHI, HIE Highlands and Islands Enterprise	HIREP organisations are fully engaged with the freeport and include landowners The freeport is a contributor to the regional economic action plan	Regional collaboration and prioritisation Contributor to escalation of mitigations for barriers to innovation	The ICGFG will provide a key focus and locus for innovation, centred around renewable energy This will facilitate and be a key driver of investment and productivity, in turn creating new and good quality employment across our Region
	HIE - Regional Economic and Community Development Agency (NDPB of Scottish Government)	HIE are supporting the development of the business cases and the stand-up of ICGFG HIE are a tax site landowner at Inverness Campus	Support for Trade and Investment activities within the GFP Support for inward investors Support for indigenous businesses within the GFP across a range of business support activities including capital investment Support for innovation	Contribution to strategic goals for People, Prosperity, Planet and Place. Specifically: -job creation -growth of supply chains - attraction of inward investment - talent attraction

Location	Organisation	Engagement	How the stakeholder will support Green Freeport innovation objectives	How the Green Freeport supports the objectives of the stakeholder
				- population retention
Rest of Scotland based with Highland representation	CENSIS	Ongoing engagement to support the development of the ICFGF strategy and better understand the opportunity technology presents CENSIS support roll out of digital infrastructure and environmental monitoring sensors and IoT demonstrations	Provision of expertise to the ICFGF in emerging technology enablers such as sensors, artificial intelligence, machine learning, and cyber security Provide businesses with innovation support in the development and adoption of technology Run technology events in partnership with other stakeholders to promote benefits of technology adoption to reduce carbon emissions, improve productivity	Maximise the opportunities for public and private sector organisations to deploy emerging technologies and growth in their respective areas Accelerate the transition of Scottish research and academic know-how into economic, societal, and environmental outcomes
	Interface	Interface is a member of the Inverness and Cromarty Firth Green Freeport's PowerHouse	Interface is the connector to academic expertise within Scotland and provides relevant insights and intelligence. Interface can use its academic network to support individual academics, with specialist expertise, to connect with the PowerHouse to increase the numbers of innovation active businesses Active collaborator in providing support to the leading industry players and existing cluster of businesses in the ICFGF area Supplements the activities of the ICFGF by widening the adoption of innovation	The development of strategic and impactful collaborations, in support of productive engagement between academia and industry. Identifying, developing and sharing engagement pathways for SMEs to navigate the academic landscape Identifying and supporting the transference of models and best practice across industry/sector/regions. Supporting individual academics to navigate the business landscape to find business connections
	DeepWind Cluster	DeepWind is a member of the PowerHouse industry grouping PowerHouse is also a member of the cluster	Collaboration and sector events on emerging technology themes such as floating offshore wind and Power 2 X DeepWind has subgroups involved in Floating wind, Power2X, Supply chain and O&M	Increase the number of potential DeepWind members involved in innovation through collaboration with inward investors attracted to the Freeport and through interactions with the PowerHouse

Location	Organisation	Engagement	How the stakeholder will support Green Freeport innovation objectives	How the Green Freeport supports the objectives of the stakeholder
Scotland	National Manufacturing Institute Scotland (NMIS)	NMIS has been engaged with the ICFGF in Innovation and Skills workstreams and supported regional development via The PowerHouse with the management role initially supported by the NMIS Manufacturing Skills Academy graduate training scheme funded by Scot Gov National Transition Training Fund (NTTF) NMIS has been supporting SSE and GEG to develop proposals to build a manufacturing pilot cell for construction of large-scale wind turbine components	Support and advise on training requirements delivery mechanisms via the NMIS Manufacturing Skills Academy (MSA) NMIS is part of the Scottish, UK and international innovation network and the High Value Manufacturing Catapult and supports: - access to academic networks and expertise. - NMIS is part of the Scottish Research Partnership in Engineering (SRPe) a consortium of ten research intensive Scottish Universities - collaborative opportunities with companies and technology providers NMIS is a member of key organisations in the innovation landscape and can support to align objectives NMIS has an industrial membership of over 90 companies spanning international OEMs to local technology providers NMIS is a member of the Scottish Offshore Wind Energy Council (SOWEC) Innovation group. As the only member of the High Value Manufacturing Catapult (HVMC) in Scotland, NMIS can act as a front door to leading technology expertise across the UK NMIS convenes industrial groups that strongly aligns with the GF objectives, such as the Coalition for Wind Industry Circularity (CWIC) with over 40 signatories from across the wind industry supply chain	NMIS has a remit to support the economic development of Scotland and the UK through manufacturing. The GF supports this objective by providing a mechanism for enhanced regional growth The freeport provides a pathway for impact for technologies developed at NMIS and for the academic groups The freeport will provide visibility of opportunities for NMIS and innovation partners to support industry in innovation and economic growth The freeport will provide a regional platform for NMIS to fulfil its remit as a national centre to support industry across Scotland

Location	Organisation	Engagement	How the stakeholder will support Green Freeport innovation objectives	How the Green Freeport supports the objectives of the stakeholder
			advice and visibility of innovation funding streams, particularly for manufacturing innovation support and advocacy for the growth manufacturing activity as a mechanism for economic development NMIS is a technology research and innovation organisation and can directly support companies with their manufacturing and business innovation requirements	
	BE-ST	Ongoing engagement to support the development of the ICFGF strategy and provision of expertise on infrastructure developments. Delivery partner with UHI Inverness of the Make It Smart Hub (AMCF programme) and the HeatSource project (phase 2 August 2023- Feb 2025)	Support to advanced and offsite manufacturing sectors, including automation and digital, particularly within the Built Environment's Net Zero agenda. HeatSource is a collaborative knowledge hub funded by Scotland's enterprise agencies which explores opportunities in low carbon heat. It brings together knowledge, partners and resources in order to help ready the sector for net zero targets.	The MISH has a 3-year programme legacy to June 2026 Supports access to SMEs within the ICFGF region The ICFGF will help unlock innovation capacity around low carbon heat technology
	IBioIC	Ongoing engagement to support the development of the ICFGF strategy and better understand the opportunity biotechnology presents Exploring the opportunity for innovative solutions from the ICFGF including the remediation of rare metals from industrial waste (e.g. wind turbines); and support for biohydrogen projects	Help attract and support companies involved in Industrial Biotechnology (IB) to the Green Freeport Fund collaborative projects between industry and academia and providing business and scale up support Providing insights, education, and engagement by delivering webinars and networking events in the Green Freeport region around the opportunities in the transition to bio-based manufacturing	Delivery of the National Plan for Industrial Biotechnology Accelerating the adoption of IB across new sectors to improve their sustainability and longer-term growth, while achieving net-Zero growth. Position companies utilising biotechnology as attractive inward investment opportunities for Scotland

Location	Organisation	Engagement	How the stakeholder will support Green Freeport innovation objectives	How the Green Freeport supports the objectives of the stakeholder
			Access to Bio Processing Scale up Hub, technical expertise, and analytical support	
	The Data Lab Innovation Centre, University of Edinburgh	Ongoing engagement to support the development of the ICFGF strategy and better understand the opportunity data science presents. Exploring opportunities for aligning services to maximise impact and funding within GF. Member of The PowerHouse working group. Delivered a range of projects within the boundary that have opportunities to be further developed as part of the ICFGF. These include NHS Highland IoT test bed and the HiPLAN logistics platform.	Assisting and partnering in bids for funding from third parties Funding academic time on projects that involve industry-academic collaboration Developing collaborative projects with businesses which could include using predictive data modelling OSW, hyper-heuristics in energy and transport, warehousing and logistics optimisation, underwater surveillance Improving productivity in businesses through data and AI Developing data leadership skills, enabling effective use of data and AI, developing a data strategy Delivering events to help the diffusion of innovation and access to the DataLab networks	The Data Lab's vision for the next 10 years is to create the world's most impactful data community and is aligned with the objectives and themes of the ICFGF Contributing to national priorities by creating transformational projects and R&D leverage in areas such as Wellbeing, Green Recovery and Productivity Improving productivity by increasing data and AI adoption by industry. We will connect this increased volume of organisations with our institutions leading to an increase in innovation active companies Scaling our activity across Scotland and internationally through embracing digital technologies as a growth engine
	SRUC	SRUC has a presence on the Inverness campus with both research teams and consultancy teams	Potential support of life science businesses on Inverness Campus and wider	SRUC has been a long-standing supplier of technical services and research to rural businesses and attracting more established firms and start-ups to the Green Freeport should be able to provide further knowledge transfer opportunities to SRUC

Location	Organisation	Engagement	How the stakeholder will support Green Freeport innovation objectives	How the Green Freeport supports the objectives of the stakeholder
	Aberdeen University	The university has a research team based in a field station at Cromarty Lighthouse, which is focussed on ecological research into marine mammals and seabirds.	Expert support to both the offshore wind and green hydrogen industries to innovate to minimise negative local environmental impacts, and bring new positive ones, from these new industries	The ICFGF affords Aberdeen University potential further knowledge transfer opportunities and support to increase the relevance of its research
UK-wide	Smart Manufacturing Data Hub (SMDH)	Smart Manufacturing Data Hub	Smart Manufacturing objectives are to work alongside manufacturing companies to drive productivity gains and increase levels of adoption and diffusion of innovation, aligning with ICFGF objectives. We will do this via: Funding Projects Sector Events Business Support Community Platform	Increased focus on innovation provides a cluster of organisations to work with through SMDH. OSW Manufacturing & Life Sciences will be new sectors for collaboration for the SMDH programme. Mission led activity is key – Net Zero being one of the overriding principles of SMDH.
	Innovate UK UK's national innovation agency supporting support business-led innovation in all sectors, technologies and UK regions.	Innovate UK contributed to the GFP working group on Innovation	Innovate UK and UKRI are expected to be a primary source of funding for GFP innovation activities	Supporting acceleration of the green economy by creating a supportive environment for Research and Innovation to unlock solutions essential to achieving net zero.

Freeport Regulatory Engagement Network (FREN)

The ICFGF will engage with the FREN through The PowerHouse who will work with partners across the Freeport to explore innovative approaches to any identified regulatory issues.

Potential regulatory barriers to innovation include:

- Hydrogen connectivity issues including existing COMAH regulations and legal requirements for the transportation of hydrogen
- Port regulation issues on customs and taxation
- Regulatory challenges related to Brexit creating skills shortages

The Powerhouse will develop a service to support engagement with the FREN which is detailed in Section 2.1.

The ICFGF is also engaging with the Key Agencies Group (KAG) which brings together Scottish based public agencies including SEPA, NatureScot, Historic Environment Scotland and Marine Scotland with developers and Highland Council to facilitate and expedite consenting processes for development within the ICFGF. While the KAG will address the regulatory issues covered by devolved powers it is expected that escalation to the FREN will be required for the retained regulatory barriers listed above.

Strategy and projects

High-level strategic priorities for innovation

The Innovation Strategy demonstrates how the ICFGF will create a transformative and once in a generation opportunity for our region to lead the world in innovative approaches to energy transition. It will achieve this by accessing cutting edge expertise from the existing innovation ecosystem – universities, Innovation Centres and NMIS and by accessing business support through government agencies, trade associations and business networks.

Barriers and opportunities

The Green Freeport engaged with the Freeports Hub to review the regional innovation landscape and to identify opportunities for the GFP to provide additional services and support to unblock any identified innovation barriers.

The process used is summarised below.



The process identified barriers to innovation across the 4 key themes for innovation for the ICFGF (see below) and produced a prioritised list of opportunities. These are discussed in detail under the relevant themes below.

Lastly, a short list of potential enabling services which the Green Freeport could offer was developed.

The 3 selected services are:

- Regulation advisor and conveyor – a service that uses the Green Freeport’s influence and the FREN support to convey a unified voice and seek regulatory easement with regulatory bodies in representation of industry and tenant needs.
- Matchmaking – ‘Creating Connections’ - a matchmaking service with a focus on making local and international introductions. It will facilitate connections between developers, emerging startups, and the existing supply chain to provide innovative solutions to emerging markets.
- Knowledge sharing – Facilitate local and international knowledge-sharing initiatives to foster continuous innovation in focus areas, attract global attention from companies developing new technologies in the space and guide grant funding bodies towards focus areas and technology challenges.

These proposed support mechanisms are discussed in detail below within the ‘PowerHouse’ section.

The PowerHouse

ICFGF’s Innovation Strategy will be co-ordinated by the PowerHouse which has been established to grow innovation capacity and to co-ordinate innovation support and funding within the Green Freeport. The PowerHouse and the Innovation Strategy will be funded directly by the Green Freeport.

For innovation, the PowerHouse will:

- Create an innovation network across the Green Freeport enabling businesses to benefit from peer-to-peer learning, create opportunities for collaboration and support problem solving.
- Bring together consortia to make funding bids, identifying suitable funds, supporting the application process and identifying and filling gaps in any expertise needed.
- Act as a hub for businesses to find innovation advice and support either directly or by bringing in the relevant players across the support ecosystem.
- Develop, market and administer an annual innovation challenge fund.
- Develop and host a range of events that will inspire and educate businesses and increase demand for innovation support.
- Monitor all innovation activity, tracking against targets and reporting as required.
- Use its skills agenda to inspire innovative mindsets in young people through an engaging STEM agenda

The PowerHouse and its innovation services is intended to extend beyond the GFP boundaries and to support innovation in the supply chains of the key industrial sectors that are the GFP’s focus.

The innovation survey also identified three services to address specific barriers to innovation detailed below.

Regulation advisor and conveyor

Several regulatory barriers to innovation were identified across the proposed projects in the Green Freeport area. The barriers include hydrogen connectivity issues, port regulation issues and regulatory challenges related to Brexit creating skills shortages.

Working with the Freeports Regulatory Engagement Network (FREN), the Green Freeport can be a unifying voice for these challenges and advocate for regulatory easement with a stronger focus and leverage. This will enable innovators to unblock funding attached to those blockers and focus on their main innovation deployment.

The service would aim to deliver wide ranging support on regulatory issues including:

- Workshops, webinars, and online resources to understand key regulatory challenges and impact on innovation.
- Organise physical and virtual events to facilitate networking and knowledge sharing both within the ICFGF and its hinterland as well as wider Green Freeports community of interest in other Freeports.
- Disseminate regulatory information effectively, fostering collaboration and innovation within the Green Freeport community.

- Collaborate with universities and research institutions for in-depth analysis and interpretation of regulations.
- Forge alliances with industry leaders to exchange best practices and ensure alignment with sector-specific regulations.

Key partners for delivery would include FREN, the Department for Energy Security and Net Zero (DESNZ) and HMRC.

Facilitation of knowledge sharing

In the evolving landscape of renewable energy, local stakeholders face significant challenges in accessing cutting-edge expertise, coordinating innovation efforts, and securing funding for critical technology challenges.

The other focus areas for the Green Freeport such as Life Sciences suffer similar challenges in achieving a critical mass. These issues are often exacerbated by location.

Although Scotland is home to world-class universities who are commercially focussed and innovation active much of this academic activity is located in the Central Belt and can be onerous for local businesses to understand and to access. This includes business focussed support such as Innovation Centres, the Catapult Network and sources of innovation funding. The North of Scotland is often too far away and lacks relevance and scale to get a proportionate slice of the support and engagement we need.

In addition, local businesses and academic institutions often need help collaborating effectively, leading to missed innovation and economic growth opportunities. Grant funding bodies may also need encouragement in allocating resources to address pressing technology challenges in our focus areas, and stakeholders applying for those funding opportunities need help and mentoring in making compelling business cases for funding.

ICFGF can offer a unique solution by serving as a central hub for facilitating knowledge-sharing initiatives, both locally and internationally. By leveraging our Green Freeport status, strategic location, existing innovation ecosystem and tax site benefits, the Green Freeport can draw key stakeholders from universities (both in Scotland, the rest of the UK and in the EU and other major international centres for related industries), innovation centres, businesses, and government agencies into our region and foster greater levels of collaboration and innovation.

Through targeted networking events and workshops the Green Freeport will create opportunities for peer-to-peer learning, collaboration and problem-solving in focus areas such as offshore wind, hydrogen, maritime innovation and life sciences.

Furthermore, the Green Freeport will play a vital role in guiding grant funding bodies by identifying priority technology challenges and facilitating connections between funders and innovative projects, thus maximizing the impact of available funding.

Key activities for delivery will include:

- Organizing regular networking events, workshops, and forums to facilitate knowledge-sharing and collaboration among stakeholders.
- Establishing partnerships with local and international organizations to exchange expertise and best practices in focus areas.
- Provide guidance and support to businesses and academic institutions in accessing grant funding opportunities and developing innovative projects.
- Coordinating with government agencies and trade associations to align funding priorities with technology challenges in our focus areas.

Leverage

ICFGF is at the centre of the innovation needs of the region and will be able to identify quick knowledge needs and leverage on its partners to deliver insightful workshops and events.

ICFGF has established partnerships with local academic institutions, innovation centres, and government agencies, providing a strong network for collaboration and support.

Key targets for engagement will include Innovation Centres including DataLab, CENSIS and NTZC; Catapult network including High Value Manufacturing Catapult centres such as NMIS and Nuclear Advanced Manufacturing Research Centre (NAMRC), OREC; Scottish universities including University of Edinburgh, Robert Gordon University, University of Strathclyde, University of St Andrews and University of the Highlands and Islands and other bodies such as HIE Innovation service, Interface and Innovate UK.

There will be synergy between this service and initiatives to establish development and test centre in the area in support of both the Floating Wind and Hydrogen sectors. One such example, among others, being pursuing opportunities linked to the establishment of WInDD – Offshore Wind Innovation Development & Demonstration Hub.

Matchmaking – ‘Creating Connections’

The Green Freeport is working with sectors that are very much in their infancy but there is a determination locally to become a global hub for renewable technologies. By bringing together our local and international supply chain, we can enhance product /service development. Within the current ecosystem, there are businesses focussing on their service or product, without a clear understanding of the pipeline of opportunities being created in the Green Freeport or the knowledge of how their business could benefit whilst enhancing the local offering. With an abundance of incubation space within the vicinity, the Green Freeport has the opportunity to facilitate connections between developers, emerging startups, and supply chain to provide innovative solutions to emerging markets.

ICFGF has access to the large corporations on the Green Freeport as well as a strong understanding of the local supply chain. ICFGF can act as an intermediary, creating opportunities for the wider supply chain to gain access to the developers. ICFGF, through the PowerHouse should aim to facilitate accelerating innovation through the supply chain supporting its industries and it is envisaged that a significant portion of its activities will be in this direction. ICFGF will act as a matchmaking service, creating an opportunity to introduce new businesses into the supply chain, both nationally and internationally. The PowerHouse will not work in isolation; they will work with other stakeholders including Highlands and Islands Enterprise to ensure these events reach a wide audience. The PowerHouse Manager will conduct regular meetings with the developers/ports, to obtain a detailed understanding of their requirements, which will be subject to ongoing development and change. In collaboration with the developers and ports, the PowerHouse Manager will coordinate events and ensure that they are structured, informative and clearly highlight opportunities for collaborative working. The PowerHouse will encourage participation by the industry supply chain of the Green Freeport. ICFGF has established the Inverness and Cromarty Firth Green Freeport Hydrogen Working Group, which is an example of how the match making service could work. This group meets online quarterly, highlighting the development opportunities within the major projects, allowing for the local supply chain to engage with the project teams. There will also be a face-to-face opportunity for this group to increase trust and enhance relationships.

ICFGF will create an on-line tool that provides site updates, timelines, opportunities, and both technical and skills gaps identified by the developers and supply chain. The PowerHouse Manager will put out a call for all businesses who want to engage with the ICFGF and provided they meet the Green Freeport’s internal requirements; their information will be shared. All businesses will remain visible until they request to be removed. By having a controlled list of suppliers, stakeholders can call upon subject matter experts to provide knowledge, expertise and solve problems in a timeous manner.

There are a number of businesses in the Highlands that offer support and incubation space for testing and collaboration including HIE, UHI, RAVIC and due to the ongoing development of the ports, there will be others who offer collaborative working environments that will enhance product development and innovation. As these businesses have close links through the associate members group, there will be opportunities to bring together similar industry partners. The tax site located in the Inverness campus will be developed to include new innovation and scale-up space according to demand. The PowerHouse will liaise with industry to highlight links to available incubation space, increasing opportunities to work collaboratively.

Figure 23 – PowerHouse structure



Themes

The key themes for Innovation will be focused on the sectors most able to benefit from the ICFGF status. These are offshore wind, hydrogen, port developments, marine technology, technology and advanced engineering, and life sciences.

Offshore wind

The draft 'Energy Strategy and Just Transition Plan' was published by the Scottish Government in early 2023, and within that strategy highlighted an ambition of more than 20GW of additional, low-cost renewable electricity capacity and 5GW of low carbon hydrogen production by 2030. The Offshore Wind Industrial Growth Plan (IGP) published in April 2024 describes the offshore wind sector, post investment, benefiting the UK economy by an additional £25bn GVA, a tripling of UK manufacturing capacity and a doubling of R&D output. It recognises a £270bn serviceable domestic market through to 2035. Importantly, within the sphere of innovation it targets a doubling of research and development investment and output, exploiting future technology trends and disruption opportunities driven forward through innovation. Innovation will be key to delivering the aligned ambitions of the offshore wind industry and both the UK and Scottish Governments. This is a level of ambition not seen before in Scotland, across the UK or indeed in Europe. It will require innovative solutions to enable the faster deployment of larger turbines in deeper waters, necessitating the development and adoption of novel manufacturing, assembly, load out and installation solutions for both fixed and floating wind. Sitting at the geographical heart of ScotWind and nearby many of the INTOG project sites the ICFGF ports of Ardersier, Cromarty Firth and Nigg will be pivotal to capacity delivery, especially around floating offshore wind. As specific innovations progress through the technology readiness levels (TRLs) there are obvious advantages to completing the latter stages of development within the working environment where the commercialised solutions will later be employed. This places ICFGF in a unique position to facilitate the advancement of floating offshore wind and, in tandem, the development of integrated floating wind and green hydrogen solutions. Such hybrid projects are seen as a way of addressing a lack of grid connectivity in the short-term allowing the sector to develop and mature at the fastest possible pace. There are many areas where innovation in floating wind can be progressed within ICFGF:

- The development and validation of floating wind mooring and anchoring systems both for permanent offshore installation and temporary mooring (wet storage) between the phases of foundation load out and WTG (wind turbine generator) integration
- Industrial research to certify and employ disruptive welding technologies such as electron beam (EB) welding for manufacture of key offshore wind components including:
 - Towers
 - Anchoring systems for fixed and floating wind
 - Transition pieces
 - Floating wind foundation components
- The testing, evaluation and validation of launch / loadout solutions for floating wind as well as that of a new generation of "super cranes" necessary to support future fixed and floating projects
- The deployment of new technologies in HVDC cabling for static and dynamic applications for export or inter-array cables from Sumitomo's European base at the Port of Nigg
- Advancement of new technologies to drive down project costs in the areas of weld inspection and production of manufacturing quality records
- Development of optimised solutions for tow to port (T2P) maintenance of floating wind units following major component failures
- The adaption and advancement of concrete slip forming technology applied to the serial manufacture of concrete substructures for floating wind
- The application of artificial intelligence, advanced robotics, digital twinning and production simulation to increase productivity and competitiveness in component manufacture and the serial assembly and load out of floating wind foundations

A recent survey conducted on behalf of ICFGF identified several barriers to innovation which ICFGF will aim to mitigate. These include:

- A lack of confidence in demand associated with uncertainty in project pipelines
- A domestic supply chain that lacks expertise/ capacity in certain areas
- A redundancy/obsolescence factor due to the constant rate of growth in turbine design
- Insufficient sector specific funding for R&D
- A lack of test facilities for the final validation of new technologies

ICFGF can work with the offshore wind stakeholders across the ecosystem to mitigate the barriers to innovation and help accelerate the development of new technologies which will strengthen the domestic supply chain and increase its international competitiveness. ICFGF opportunities to support innovation activity within the Green Freeport and development within the wider offshore wind sector include the following:

- Championing effective collaboration and information sharing between the ports and businesses within the Green Freeport to facilitate greater capability and capacity for projects.
- Acting as a lobbyist and facilitator to increase access to, and use of, public sector support to progress the various technical opportunities that are highlighted in the list of innovation opportunities listed above.
- Fostering innovation, through networking and facilitation, across the floating offshore wind life cycle including manufacture, assembly, load out, turbine integration, logistics and ongoing operations and maintenance. In addition, facilitating the introduction and testing of hybrid floating wind and hydrogen systems which may offer a route to bypass grid constraints and deliver the early capacity in floating wind necessary for learning and rapid development of optimised delivery solutions.
- Identifying from within Green Freeport stakeholders specific floating offshore wind challenges and innovation opportunities and promoting these to external bodies in the private and public sector to access funding and support for solution development. Bodies would include but not be limited to OWGP (Offshore Wind Growth Partnership). ORE Catapult and Innovate UK. This would promote rapid commercialisation of novel solutions in any area of technology but would include the validation of new floating offshore wind foundation designs which have yet to benefit from the experience gained and lessons learned from first unit construction.
- To further develop the collaboration between the key ports and supply chain interests to deliver an integrated and unified approach to the build out of floating wind capacity. This approach would identify synergies between key parties and provide a holistic regional solution based on an efficient use of all the main ICFGF assets. It is hoped this would quickly mature into a unique European offering which provides a one stop shop for floating offshore wind. ICFGF has already demonstrated through the Green Freeport bid and ensuing OBC submission that it has achieved a highly innovative level of collaboration amongst its stakeholders most of whom historically would have been in direct competition with each other and highly sensitive about sharing information. By developing this collegiate culture even further ICFGF can create a regional hub of unrivalled capability.

Other renewables

ICFGF is in proximity to large pump storage hydro developments providing storage to the National Grid for excess or constrained renewable energy generated in the region.

Other renewables, such as wave and tidal energy have seen significant investment in innovation and offer the opportunity to diversify the renewable energy mix in the region.

With decades of experience deploying both innovation projects and large capital investments across hydro, wave, and tidal energy, the region is well-acquainted with the challenges associated with such developments. The innovation survey identified the following potential challenges as barriers to innovation:

- There is a need for more specialised assets and testing facilities to demonstrate commercial viability and support faster, more effective innovation and development.
- Initiating networking collaborations with offshore wind innovators can unlock valuable insights for forging fruitful partnerships.

- Despite technical success, wave energy competes with highly developed technologies which places it in a position of higher costs which hinders widespread adoption. Achieving cost-competitiveness through advancements and potential subsidies is key.
- The biggest challenge facing the UK wave and tidal energy industry is the need to prove itself as a reliable and competitive energy source by 2045. This creates a tight window of opportunity, leaving only a few years to take decisive action and turn the tide in their favour.

The ICFGF can have a major role in mitigating these barriers by supporting developments which integrate wave energy with offshore wind leading to savings in LCOE. The Green Freeport can support this through network building, testing facilities and innovation support. Provision of scale-up facilities with tax benefits such as those proposed for Inverness Campus can support innovative wave energy businesses reach high TRL and cost maturity.

Hydrogen

Alongside offshore wind, the development of a hydrogen economy is one of the key emerging focuses of the energy sector. Hydrogen presents a substantial opportunity for the ICFGF area due to proximity to large scale wind developments delivering 'green electrons', abundant fresh water supplies and proximity to ports for ship export and to existing subsea oil and gas pipeline networks for potential direct delivery. With some existing projects such as the North of Scotland Hydrogen Programme already underway, the region is primed to benefit from this potentially transformational opportunity.

The North of Scotland Hydrogen Programme aims to develop a state-of-the-art hub to produce, store and distribute renewable hydrogen to the local area, the UK and Europe. Ideally located close to large-scale renewable resources, there is a driving ambition for the region to become a hydrogen economy, with expected local and national demand for renewable hydrogen from distilleries, industry, transport and domestic applications.

Other hydrogen projects under development include a facility on reclaimed land in Inverness for production and distribution of green hydrogen supported by Seed Capital funding of £700,000 and a green hydrogen project for two Easter Ross distilleries. Through these projects, the Green Freeport is supporting innovative net zero solutions in a traditional Scottish industry.

These initial developments will be located on tax sites and will position the area as a centre of innovation excellence in Green Hydrogen with a thriving supply chain, opportunities for creation of high value jobs.

The innovation survey carried out in support of the strategy development identified challenges and barriers to innovation including:

- The fast developing green hydrogen sector in the UK faces immediate regulatory and policy challenges. Current regulatory frameworks and guidance is either unclear or not in place yet. Work is being undertaken to mitigate this but needs to continue at pace. Examples include: the existing COMAH regulations which may constrain development of H₂ facilities in the proposed tax sites; Legal requirements for the transportation of hydrogen on land and sea need to be defined more clearly.
- The wider region has an abundance of resource. However, the regime for power off-take from the grid is currently unclear and combined with a single wholesale national price, makes LCOE challenging.

Collaborative efforts in innovation and production are underway but regulation and off taker buy-in remain key obstacles.

Through the ICFGF there is a likely opportunity to work with local stakeholders, the FREN and with DESNZ to influence the development of hydrogen regulations and to accelerate their progress.

The ICFGF will also target hydrogen developers who have R&D projects to locate within the Green Freeport area. The incentive for these developers includes access to tax site leverage, potential access to funding in support of the Scottish Government Hydrogen Action Plan and the local innovation infrastructure. Securing innovative projects covering topics such as pilot testing of production, storage and transportation will help to anchor capabilities in both people and process within the area and support the ambition of the wider hydrogen opportunity for the region.

These capabilities will provide the opportunity for ICFGF to spearhead funding initiatives, assist with navigating regulatory hurdles, and forge market connections, thereby assisting project developers to expedite project scaling up and help towards driving the transition from an oil and gas centred economy towards a hydrogen future.

Maritime and port innovation

The Green Freeport will support port expansion projects to meet forecast demand from Offshore and Hydrogen opportunities. There is significant global focus on innovation around port and maritime operations including geospatial technology, materials tracking and advanced surveillance methods. Use of autonomous systems and Artificial Intelligence is increasingly common in world class ports and the ICFGF can provide a catalyst and test bed for digital adoption in Scotland. Other projects for development of floating quays and maritime test centres are proposed to support the ICFGF and these will require innovation support.

ICFGF's ports will be key links in the supply chains for FLOW and will be crucial to their efficiency. The existing port infrastructure, including quaysides, storage, and water transport, is key to the development, assembly, and maintenance of mainly FLOW facilities at the quayside.

Barriers to innovation in the sector include speed of regulatory approvals particularly when marine consents are required and a lack of large-scale logistics innovators.

The innovation survey highlighted opportunities for innovation within this sector including:

Development of and access to testbed environments for businesses looking to expand their R&D capability in support of both FLOW and Hydrogen.

- There are significant opportunities to bring latest crane technologies into the region using existing ICFGF companies with expanding crane demand from marshalling and assembly.
- The ICFGF can play a vital role in facilitating ports to work together to advance uptake of digital technologies including heavy plant, automation and IoT device solutions.
- Using the ICFGF to draw in international expertise, best practice and innovation in logistics and digitisation

Exemplar 'digital' ports and free trade zones where links can be forged including Singapore, Rotterdam and Jebel Ali, Dubai.

These opportunities will be led by consortium members and supported by the PowerHouse.

Life Sciences and Inverness Campus

The Green Freeport's focus on Life Sciences is based around the Inverness Campus with key strengths in rural health, animal health and in vitro diagnostics. Since it opened in 2015, Inverness Campus has been a success story for the region. It is a world-class purpose-built business location with pioneering facilities, bringing together businesses, researchers, academia and scientists with a focus on innovative technology-based companies committed to sustainability and fair work as reflected in the location criteria which all potential tenants must meet.

Phase 1 of the Campus is now approaching capacity, and the creation of the Green Freeport will support the planned Phase 2 expansion with around 50 ha of land creating a further 30,000 sqm of much needed flexible floor space for expansion. Green Freeport status will enable the build out and occupation of this second phase including £4 million in Seed Capital funding to support Phase 2 initial infrastructure.

Freeport tax site status will extend to 10.9 ha of Phase 2 creating an incentive for innovative businesses to locate and expand in an already thriving location for innovators. The Campus will continue to focus on Life Sciences but the tax site status will create opportunities for location of innovative advanced manufacturing businesses supporting the developing supply chain in the rest of the Green Freeport. The campus is also a target location for emerging space sector businesses.

HIE estimate that this second phase will create around 1000 jobs, primarily in high value, innovative sectors. The clustering effect of the life sciences sector will attract entrepreneurs and academics to the ICFGF area to undertake innovative activities.

The Campus has provided considerable support to the sector in the last 5 years with the development of the National Treatment Centre (NHS), the Rural and Veterinary Innovation Centre (RAVIC) and the Life Sciences Innovation Centre (LSIC). However, a key barrier for the sector is the lack of a major commercial investor on campus which creates a challenge in attracting and retaining supply companies and talent to the area. With parts of Phase 2 of the Campus now located in the ICFGF we plan to develop innovative and flexible locations including low volume manufacturing units to support businesses scale through TRLs 7 to 9.

Units will have a flexible design and access to local and national innovation infrastructure and support through the innovation community on Campus and the Powerhouse. These new locations will provide attractive landing sites with tax site status for a range of potential investors in advanced manufacturing and life sciences.

Strategic alignment

Fit with UK Innovation Strategy

The ICFGF Innovation Strategy supports each of the 4 pillars of the UK Innovation Strategy from 2021. These are:

- **Pillar 1 - Unleashing Business:** the ICFGF creates a location and supporting infrastructure for innovative businesses to locate and grow as a community in close proximity to the once in a generation opportunity created by offshore wind. At the heart of this community the PowerHouse will create a hub for innovation services and provide support to build networks and partnerships.
- **Pillar 2 - People:** Co-location of innovation and skills support in the PowerHouse will empower a shared agenda for the development and attraction of the talent required to support the Innovation Strategy.
- **Pillar 3 - Institutions and Places:** Levelling up R&D and innovation by creating a vibrant group of innovative businesses around key sectoral strengths. Here the opportunity created by Offshore Wind turns the challenge of our geography on its head making us the prime location in Europe for such innovation securing long term benefits for local communities. The PowerHouse will also support our businesses the 'navigate the system' by effective signposting through the complex innovation support ecosystem.
- **Pillar 4 - Mission and Technology:** The Innovation Strategy will have a primary focus on supporting innovative approaches to the climate crisis.

Fit with Scotland's Economic Strategy

The Scottish Government's '**National Strategy for Economic Transformation' (NSET)** was published in March 2022 and focuses on the development of a 'wellbeing economy' for Scotland. The innovation strategy will contribute to several NSET themes but particularly 'Productive businesses & regions' with its aim to 'make Scotland's businesses, industries, regions, communities, and public services more productive and innovative'

Additionally, the innovation strategy will support Scotland's manufacturing strategy. The Scottish Government produced '**A Manufacturing Future for Scotland' in 2016** which had key themes including innovation, productivity, circular economy, collaboration between business, academia and the public sector and promotion of digital innovation. The post-pandemic '**Making Scotland's Future - a Recovery Plan for Manufacturing**' was produced in June 2021 and had several relevant key themes notably improving productivity by reducing barriers to innovation, building collaborations, enhancing capability to influence adaptation, and exploiting manufacturing opportunities to boost Scotland's transition to a net-zero emissions economy by 2045.

The innovation strategy will support the aims of the **Scottish Government's Climate Change Plan (revision 2020 and original 2018)** which recognises the 'vital importance' of innovation in meeting our climate change targets.

The Cromarty Firth is identified as a regional hydrogen hub in the Scottish **Government's Hydrogen Action Plan (2022)** and the innovation strategy will support the plan across a number of the action themes – including 4.1 Scaling up hydrogen production in Scotland and 4.6 Strengthening research and innovation.

Scotland's National Innovation Strategy (NIS) was launched in June 2023 and builds on both NSET and the Manufacturing Action Plan. The NIS will focus on sectors where Scotland is seen to have clear advantage by building clusters in energy transition, health and life sciences, data, and digital technologies and advanced manufacturing. The ICFGF will have a presence in these sectors and this will be supported by the innovation strategy.

Fit with HIE's Economic Strategy

HIE is the regional economic and community agency for the Green Freeport's wider area. HIE's current Strategy (2023-2028) has four pillars: People, Prosperity, Planet and Place. The Strategy recognises Green Hydrogen, Offshore Wind and Life Sciences as Regional Transformational Opportunities and recognises the importance of innovation in realising their opportunity. The strategy is aligned with the Scottish Government's NIS with a focus on renewables, decarbonisation, green hydrogen and net zero.

Projects

A wide range of site and business specific projects are proposed by the ICFGF consortium partners. In addition to this are a range of Green Freeport wide initiatives that will be implemented to enhance and coordinate the existing ecosystem. This includes cluster management, an innovation network and funding to support capacity building. The ICFGF is aiming to have an impact beyond its boundary and will work with UHI and HIE to support young entrepreneurs, bridging the STEM, HE and business spin-out/ start-up support system. The indicative list of projects below will undoubtedly evolve over time as the intrinsic nature of innovation means that new proposals will be developed which cannot yet be fully predicted.

A detailed list of proposed innovation projects is appended in Appendix A.

Resourcing

The delivery of the Innovation Strategy will be co-ordinated by The PowerHouse, a department within the ICFGF Company with a specific focus on innovation and skills.

The PowerHouse will:

- Create an innovation network across the GF enabling businesses to benefit from peer to peer learning, create opportunities for collaboration and support problem solving.
- Bring together consortia to make funding bids, identifying suitable funds, supporting the application process and identifying and filling gaps in any expertise needed.
- Acting as a hub for businesses to find innovation advice and support either directly or by bringing in the relevant players across the support ecosystem.
- Develop, market and administer an annual innovation challenge fund.
- Develop and host a range of events that will inspire and educate businesses and increase demand for innovation support.
- Monitor all innovation activity, tracking against targets and reporting as required.

Other stakeholders are already active within the ICFGF and will work closely with The PowerHouse to align services and resources within the boundary ensuring businesses can access the right support.

The majority of the site specific projects will be delivered and resourced by the private sector.

Funding

The PowerHouse will take the lead on securing and allocating innovation funding for Green Freeport activities. A range of funding will be sought to deliver the innovation initiatives and projects. Some of this will come from within the ICFGF itself through retained National Insurance contributions (NICS), public sector

sources and the private sector project leads. External sources of funding will also be sought in collaboration with partners.

ICFGF Skills and Innovation Fund

It is expected that around £14 million in funding will be available to the Freeport from retained National Insurance contributions. Of this sum, an estimated 10% will be allocated to support the innovation services described in this strategy. An estimated allocation for innovation is shown below:

Table 72 - Estimated ICFGF Innovation funding by year

Financial Year	Value of Innovation funding from NICS (£)
2024/25	50,000
2025/26	80,000
2026/27	160,000
2027/28	200,000
2028/29	300,000
2029/30	350,000
2030/31	300,000

External funding

Innovation challenge funds will be sought when available to incentivise innovation. Most funds are reactive, and the PowerHouse will co-ordinate challenge fund applications on behalf of the ICFGF and partners. UKRI and Innovate UK are expected to be a continuing source of such funds along with Scottish Government.

Specific project-related R&D funding is also available through HIE and is dependent of company size.

Table 73 shows maximum funding levels by activity type.

Table 73 - Research and Development funding support levels

Type of Research	Small enterprise	Medium enterprise	Large enterprise
Fundamental research	100%	100%	100%
Industrial research	70%	60%	50%
Experimental development	45%	35%	25%
Feasibility studies	70%	60%	50%

Private sector funding sources will also provide part of the funding mix for specific projects.

The PowerHouse will work with local partners including HIE to horizon scan for potential public and private sector challenge funding and other calls and support GFP partners in preparing successful bids. An example is Offshore Wind Growth Partnership who are expected to issue grant funding for technology challenges in the OSW sector worth £100 million. Funding calls began in 2019 and will extend to 2029.

The UK's readmission to Horizon Europe in September 2023 provides an additional route for funding. Horizon projects are based on academia working with public, private and academic partners. The structure of ICFGF is well suited to creating such partnerships which are likely to be centred on UHI and the PowerHouse.

In addition, the ICFGF will partner with local stakeholders to lobby for additional innovation funding to be made available from UK and Scottish Governments.

Governance

The ICFGF Company will oversee the implementation of this strategy with input from an Innovation Advisory Group. The PowerHouse is responsible for delivery of the strategy working with partners across the ecosystem as required. A RACI Chart is shown below:

Table 74 - RACI Chart for Innovation strategy

	Board	Chief Executive	Innovation Advisory Group	PowerHouse	Stakeholders
Delivery of innovation strategy	Accountable	Responsible	Consulted	Responsible	Informed
Progress reporting to Green Freeport	Informed	Accountable	Informed	Responsible	Informed
Securing external funding	Accountable	Responsible	Consulted	Responsible	N/A
Monitoring and evaluation	Accountable	Responsible	Informed	Responsible	N/A

The Innovation Advisory Group (IAG) will meet quarterly and will include representatives of the tax sites, UHI, other universities and HIE. The group will provide a cohesive vision for Innovation across the ICFGF sites and will support the ICFGF and its partners to maximise the innovation and R&D opportunity from allocated revenue and external funding.

Measurement and Evaluation

Metrics

The table below lists the innovation metrics required by the report 'Scottish Green Freeports – Monitoring and Evaluation - Monitoring Returns' from March 2024.

Table 75 - Innovation metrics

Output	Indicator	Frequency	Details
Innovation activity	No. of projects run jointly between Green Freeport firms and research innovation organisations	Annual	The number of projects featuring collaboration between firms and research innovation organisations as a direct result of the freeport and information on the type of project (e.g., length, deliverables, description), broken down by location (tax, customs, port site). Project must have a deliverable outcome and be fully evidenced.
Innovation activity	No. of official partnerships between firms, universities and other training centres directly related to freeport	Annual	The number of official partnerships as a direct result of the freeport between firms and universities and information on the type of partnership (e.g., length, deliverables, description), broken down by location (tax, customs, port site).

Timeline of future activities

Table 76 – Innovation timeline

Activity	Owner	Expected completion date
‘Creating Connections’ - develop matchmaking service	PowerHouse	End 2024
Develop proposals for enhanced knowledge sharing for GFP stakeholders	Powerhouse/HIE/UHI	End 2024
Develop proposals and bids for test and development centres e.g. WInDD	ICFGF and partners	Mid 2025
Develop service for unified regulatory easement	PowerHouse	Mid 2025
Develop an annual innovation challenge fund.	Powerhouse	From 2026

Appendix A - Innovation projects list

Project name	Timeline	Key activities	Partners	Link to local innovation opportunities	Link to national innovation strategies, or initiatives	Contribution to other SGFP objectives	Comments
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED]	

Project name	Timeline	Key activities	Partners	Link to local innovation opportunities	Link to national innovation strategies, initiatives or	Contribution to other SGFP objectives	Comments
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Project name	Timeline	Key activities	Partners	Link to local innovation opportunities	Link to national innovation strategies, initiatives or	Contribution to other SGFP objectives	Comments

Appendix B - Innovation assets

	Asset	Sectors	Comments
Regional	University of the Highlands and Islands	Renewables, life sciences	Integrated university encompassing both further and higher education in association with Highlands wide network of colleges.
	Inverness Campus	Innovation hub for Life Sciences	Phase 2 will focus on advanced manufacturing
	Rural and Veterinary Innovation Centre – Inverness Campus	Life sciences	A facility developing new links between science and industry addressing challenges in planetary health and the natural economy
	Life Sciences Innovation Centre – Inverness campus	Life Sciences	Bespoke campus based laboratory and office space
	Powerhouse	OSW, renewables, hydrogen	ICFGF's skills and innovation service
	Highlands and Islands Enterprise - Innovation Service	OSW, renewables, hydrogen, life sciences, advanced manufacturing and engineering	Regional economic and community development agency. Innovation service offers support and funding for business innovation and R&D.
	Interface	All sectors	Facilitation of effective collaborations between businesses and universities, colleges and research institutes. Representation in Highlands
	Manufacturing and Innovation Centre for Moray (MICM)	Advanced manufacturing and engineering	Funded by Moray Growth Deal and in operation in late 2024 and operated by HIE. Will support manufacturing businesses in innovation, productivity and digital adoption.
	Wave Energy Scotland	Renewables – wave energy	Operated by HIE. Supporting innovators in Wave Energy to produce reliable technology which will result in cost effective wave energy generation.
	European Marine Energy Centre (Orkney)	Demonstration and testing of Wave Energy Convertors	Funded by SG, HIE, OIC and other partners
Scotland	University of St. Andrews	Hydrogen and ammonia	
	CENSIS	Sensors, imaging, Internet of Things	Innovation Centre with representation in Highlands. Focused on sensor technology, imaging and IoT
	DataLab		Innovation Centre with focus on Data and AI
	National Manufacturing Institute for Scotland	Advanced manufacturing and engineering, renewables, hydrogen	Innovation Centre and part of Catapult network. Focus on manufacturing innovation, productivity and skills.

	Asset	Sectors	Comments
	IBioIC		Innovation Centre focussed on biotechnology
	Net Zero Technology Centre	Renewables, hydrogen, CCUS	Innovation Centre focussed on renewables, hydrogen and CCUS
	FLOWIC	Floating Offshore Wind	
	OREC	Offshore Renewables	Technology, innovation and research centre for Offshore Renewable Energy
	University of Aberdeen	Interface between natural environment and offshore renewables.	Knowledge exchange and research services.
Rest of UK	Innovate UK	All sectors	Provide support for business-led innovation in all sectors, technologies
	Catapult Network	Renewables, high value manufacturing, life sciences	Network of 9 technology and innovation centres supporting sector specific business innovation
	Smart Manufacturing Data Hub	Advanced manufacturing and engineering	UK Government funded through Made Smarter Innovation Challenge

Annex K – Trade and investment strategy

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1. Strategic focus of Inverness and Cromarty Firth Green Freeport

This section provides an overview of the primary sectors and markets the Green Freeport will target and how this strategic focus will most effectively realise the policy objectives and strengthen the competitiveness of the region, Scotland and the UK. This has been developed in collaboration with the UK and Scottish Governments, landowners and regional stakeholders.

Floating offshore wind (FLOW)

The scale of the latest offshore wind leasing rounds in Scotland, (30GW for ScotWind and 5.4GW for INTOG (Innovation and Targeted Oil and Gas)), has created one of the largest offshore wind pipelines in the world, as set out in the table below.

Table 1: Scottish offshore wind pipeline

Leasing round	Fixed bottom	Floating wind	Total
Current	6GW	0.1GW	6.1GW
ScotWind	11GW	19GW	30GW
INTOG	0GW	5.4GW	5.4GW
Total	17GW	24.5GW	41.5GW

Source: Offshore Wind Scotland

Over 70% of these projects will utilise floating, rather than fixed bottom, technology, some of the first and largest commercial projects of this type in the world. This will make Scotland and the UK one of the largest global markets for FLOW, one which has already attracted worldwide interest from project developers and an emerging supply chain.

However, as an emerging technology, there is no existing supply chain for FLOW globally, which offers Scotland, and indeed the UK, a first-mover opportunity to set up serial manufacturing for not only its domestic market but with an export opportunity into other European markets.

A suite of industry and independent research, such as the SOWEC Strategic Investment Assessment, has identified the Cromarty Firth as the most suitable location for fabrication and manufacturing of FLOW components in Scotland while also having key additional benefits of wet storage and proximity to ScotWind sites, which for some components in the supply chain is crucial to reducing the levelized cost of energy and therefore costs, making the UK more competitive. The key strength of the Cromarty Firth Tax site is its existing world-class facilities, including laydown areas, quayside, and water depth,

as well as a proven track record of delivering large and pioneering offshore projects. These include, but are not limited to, the marshalling and load out for the Beatrice, Moray East, SeaGreen and Moray West offshore wind farms.

The tax site at Ardersier was identified in the same assessment as drastically increasing the available land if the required investment was available, which is now partially in place, enabling the site to join this FLOW cluster.

Given the volume of near-term FLOW projects, this cluster within the Green Freeport can become world leading in the sector.

However, while the success of the ScotWind and INTOG leasing rounds are undoubtedly a key opportunity for the region, the scale of the ambition has led to a recognition of the potential weakness in the available infrastructure to deploy offshore wind at the rate required UK wide. In order to secure the manufacturing opportunity and first mover advantage the required infrastructure investment must happen at pace.

It is estimated that, to achieve the necessary deployment rate to meet ScotWind targets, investment of £1bn is required into port infrastructure and £450-£750m in manufacturing facilities.³ This would allow 142 units or 2.5GW annually to be deployed.

The UK's experience with fixed bottom wind, where the country was on the receiving end of early-mover advantages secured by overseas suppliers, shows how important this can be.

However, maximising the UK content opportunity means looking beyond the lowest hanging fruit, it means harnessing the cumulative, wider clustering effects that come from parallel, at scale, serial production and critical shared facilities that only ICFGF can provide. Green Freeport status, together with parallel programmes including FLOWMIS and SIM, can address the barriers to delivery. The incentives on offer will unlock investment in both port infrastructure and manufacturing capacity by making the region a competitive place to do business. The table below highlights ICFGF main competitors:

Table 2: FLOW competitors

Domestic competitors	International competitors
Forth Green Freeport - The Forth Green Freeport is in close proximity to some ScotWind sites which could make it an attractive location for Developers of those sites. Port of Leith has prior experience as a logistics base for Offshore Wind and is gaining experience as a marshalling base. Where it has the potential to be competitive is in the level of financial capital available to develop the infrastructure. Being more densely populated the area has a larger workforce to draw on however may lack the experience of the ICFGF region. Celtic Freeport – Port Talbot has the necessary physical attributes to be competitive in the FLOW market in future Scotwind and INTOG rounds however it would require investment to develop the onshore and quayside assets. It currently does not have the required industry presence.	Esbjerg (Denmark) – Most probably the largest competitor to ICFGF in Europe. It is the world's first dedicated offshore wind port specialising in pre-assembly and O&M. It already has well developed infrastructure in laydown areas, water depth and berth lengths, however not in the same combination and scale as ICFGF. Its experience in the sector has enabled a workforce specialising in offshore wind to be developed which it exports to other EU countries and the UK. This is bolstered by agreements to develop 65GW of offshore wind with Belgium, Denmark, Germany and the Netherlands. Cuxhaven (Germany) Pre-existing infrastructure including a heavy-duty platform for installation terminals along with large scale storage areas make this port competitive in onshore and quayside activities. Extensive support from the German Government gives the port potential for future investment. Ulsan (South Korea) South Korea has extensive manufacturing capabilities making it a competitor for ICFGF sites that want to engage in manufacturing. It has received extensive private sector investment and has 11.9 GW currently in development. It has also developed a highly skilled workforce in the sector.

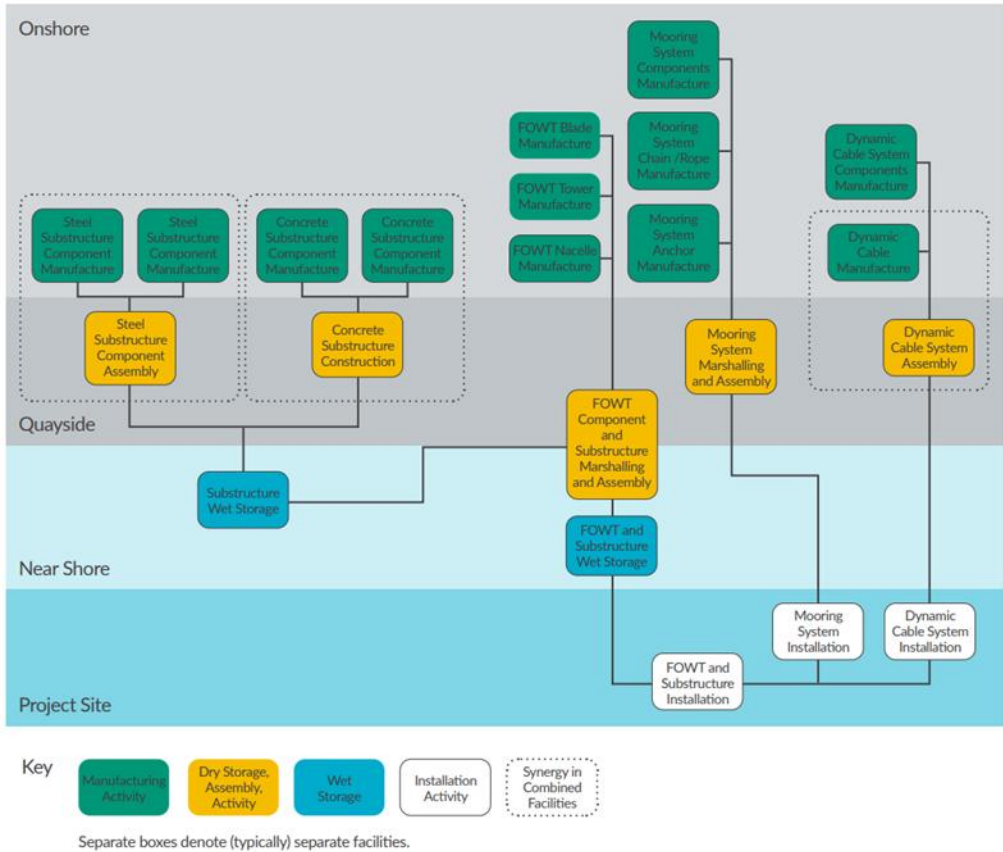
	Jiangsu (China) As with South Korea this ports competition comes in the form of manufacturing particularly in nacelles production.

The connection between port infrastructure and manufacturing capacity is demonstrated through the Sumitomo proposed investment, close to the Port of Nigg and in the Cromarty Firth tax site. This £350m investment will result in the manufacture of high voltage direct current cables for use by offshore wind farms and interconnectors for both the UK domestic market and for export. This in turn will help unlock development and expansion at the Port of Nigg to facilitate the deployment of the cables and other propositions too. This investment was not commercially viable without the tax site offer.

While substructures are expected to account for some 40% of FLOW capex (more than £1bn per GW), there are plenty of other areas of the supply chain to target. This can be achieved by drawing on the synergies of colocation with globally significant substructure manufacturing, marshalling, final assembly, deployment and operations, together with Green Freeport benefits, to address competitive disadvantages in the construction of non-FLOW specific components.

A FLOW structure contains a number of separate components and activities which take place either onshore, at quayside, near shore or offshore. Some of these activities create synergies when they take place in close proximity to each other.

Figure 1: FLOW activities



The ICFGF proposition is explicitly designed to create this sort of agglomeration to promote UK content, improve energy security, accelerate the fair transition to net zero and to reverse our region’s working age population decline. Our proposals are designed to deliver economies of scale and scope via multiple parallel productions lines across multiple ownerships but with critical shared facilities like wet storage.

The tax benefits will result in the port operators and manufacturers being able to lower their costs to internationally competitive rates, where competition overseas does exist. For example, it is estimated that the domestic cost of UK and European steel fabrication would need to be effectively reduced by 10-15% at least, potentially 20% in the Far East, to enable international competitiveness in manufacturing and assembly of these products.⁴ Green Freeport status will now make this a reality and unlock the investment required to make the UK a competitive global player in the sector.

The Department for Business and Trade's (DBT) High Potential Opportunity (HPO) for the region has identified key export opportunities in substructure fabrication (steel and concrete), mooring systems, cables and substations. Having early mover advantage as an exporter of FLOW components will be crucial, as other export markets (France, Poland, Ireland, South Korea and USA) are at an earlier stage of their supply chain development than the UK.

We are not aware of anywhere in Europe that will compare to what ICFGF, once fully implemented, can offer. In terms of international competitors, evidence shows that in Europe the infrastructure requirements to deliver on these sub-sectors do not exist in the required combination of water depth, key length and yard size, not to mention proximity to the lease sites for ScotWind and INTOG.⁵

Strengthening and growing the FLOW sector in the UK clearly delivers on the net zero policy objective of the Green Freeports programme. Without the infrastructure identified, it is possible ScotWind will not be delivered. This would be detrimental to not just the economy but also energy security, our ability to tackle climate change and long-term energy costs.

FLOW is also central to ICFGF's innovation strategy, not least because FLOW is itself an innovative technology, but also because the agglomeration proposition will promote productivity, and competitiveness to the level where ICFGF and its associated supply chains can be self-sustaining.

We know our strategy is deliverable because we have been here before in the oil and gas sector. Between Nigg, Ardersier and Kishorn there were almost 10,000 employees on-site in the 1980s and 90s, with many more elsewhere and in supply chains. With that boom gone, our recent history is one of declining working age population. Turning this around is a core part of our strategy and why our supporting programmes are so critical.

Full implementation of our proposition involves looking beyond tax and customs sites to the wider supply chain and in particular to a fit-for-purpose workforce and skills strategy. This will require the deployment of net retained NDR and National Insurance Contributions (NICs) savings received by employers on tax sites for skills and education programmes as soon as they are received, and recognising that elements of this supporting programme cannot wait until the first retained NDR flow, which based on English precedent could be three years in. This is why reimbursement of the costs of NDR relief is so critical.

NICs savings paid by employers into the Skills Fund managed by the Green Freeport Company will help target early skills and talent retention initiatives, with total funds expected to be invested for this purpose expected to be up to around £15m. The criticality of early years supporting programmes is also one of the reasons why a landowner levy structure is built into Tax Site Delivery Agreements, so that the Green Freeport Company operating costs are covered, allowing NDR revenues to support these programmes.

FLOW based employment in the Highland region will play a key role in helping to level up the region and avoid the damaging working age population/low opportunity spiral. This is particularly important for the ICFGF areas in the bottom decile of multiple deprivation in Scotland, such as in Invergordon and Alness. Not only are these locations on the doorstep of our largest FLOW tax site, but they will also benefit from the targeted supporting skills and education programmes, part funded through net retained NDR.

Green hydrogen

Scotland has an ambition to produce 5GW of hydrogen by 2030, representing a sixth of Scotland's energy needs. By 2045, the ambition is to produce 25GW of hydrogen. The UK Government ambition is to produce 10GW of hydrogen by 2030. Hydrogen will play a role in the decarbonisation of various sectors within the UK such as transport (including shipping), distilleries, cement production and steel production, which are challenging and expensive to electrify. The characteristics of the Highland geography mean there are long travel times and the cost of energy is high, leading to higher-than-average fuel poverty. Hydrogen can be a mitigating solution to these issues.

However, the opportunity from hydrogen goes beyond domestic decarbonisation and into exports to meet the demand overseas. The EU has set ambitious targets for hydrogen use and will be a net importer, as demonstrated by Germany and the Netherlands' investment in import facilities. The estimated import requirement for the EU is 5GW by 2030. ICFGF is ideally placed to meet the demand of these markets, which are estimated to be worth £17bn. Competition for the hydrogen market does exist with the main competitors to ICFGF summarised in the table below.

Table 3: Hydrogen competitors

Domestic Competitors	International Competitors
Forth Green Freeport – Proximity to offshore wind sites make the use of renewable power for production a possibility as with ICFGF. Government has awarded funding to a consortium of 4 Scottish Renewable and maritime companies to develop solutions to reducing carbon emissions from vessels in port. Humber Freeport – The hydrogen project H2H Saltend has received backing from 6 large businesses to support development and commercialisation of hydrogen to reduce industrial emissions.	North Sea Port (Belgium and Netherlands) – The 60km long port is developing a North Sea hydrogen hub that will be operational in 2026 providing the entire port with hydrogen connections. This will offer future export potential to meet Europe's needs. Port of Ostend (Belgium) – private investment to the port has provided the capital to develop and commission hydrogen production onsite by 2025.

The region's volume of renewable energy production and proximity to key sources of energy means there are opportunities to capitalise both onshore and offshore where there is excess capacity. There are advanced opportunities for at-scale hydrogen facilities within the Inverness and Cromarty Firth tax sites, further detail of which can be found in section 1ci2.

The opportunity ICFGF will target in Green Hydrogen is in production, conversion and transportation. The Deephaven site in the Cromarty Firth tax site and the Longman site in the Inverness tax site are ideally suited to hydrogen production and conversion facilities. Deephaven has the added advantage of deepwater access for transportation.

For production, electrolyzers, compressors and liquefaction facilities will be required. It is recognised that the CAPEX for these facilities is large however private sector interest to date suggests large scale production is a realistic sub sector to target.

ICFGF has built up a wide consortium of wider regional and international partners operating in the energy sector, and they established the North of Scotland Hydrogen Working Group during the bid phase. This working group will continue to enable partnerships to be formed to take forward and deliver on hydrogen projects.

Industry and academic partnerships will be formed through ICFGF's PowerHouse to encourage businesses within the Green Freeport to become early triallists and adopters of innovative technologies developed with academia. This has already occurred with St Andrews University in a Department of Transport Clean Maritime research project. It will be expanded through a proposed test facility in the waters of the Cromarty Firth, delivered by the PowerHouse.

Hydrogen production requires a high or very high skill level and not all those skills will be available in the Green Freeport region. Skills provision and training will be required, and this will be addressed through the retained NICs using the same approach as for the FLOW sector. Opportunities that we will look to harness include attracting a highly skilled workforce from the Dounreay Power Station, as the decommissioning of the facility nears completion, with skills applicable to a range of sectors.

Critical to our ideal build out of hydrogen facilities is the timely provision of grid connections at each stage.

Life sciences

Life sciences has been identified by both UK and Scottish Governments as a sector with high potential for exports and inward investment. It is a key part of the innovation ambition for the UK. In 2021 the sector attracted £1.9bn of inward investment, behind only the USA. £24.2bn of goods were exported in the same year.

The Scottish Government Life Sciences Sector Export plan highlights four key sectors for growth: pharmaceuticals, medical devices, digital health and animal health, aquaculture and AgriTech (AAA). Of these four, ICFGF will focus on all except pharmaceuticals. The Scottish Government Life Sciences Export Plan identifies the key markets as the USA for medical technology and Europe and Asia Pacific for AAA. Domestic and international competitors in Life Sciences are highlighted in the table below.

Table 4: Life sciences competitors

Domestic competition	International competition
Medical Devices and Digital Health in Birmingham & West Midlands – This area contains significant private sector diagnostics presence in the region (e.g. Binding Site, Alliance Medical, Alta Bioscience) with significant export revenues. The region has leading research in Life Sciences with a focus on Digital Health and Medical Devices and dedicated university resources developing the area's specific niches, such as the Birmingham Health Innovation Campus. The West Midlands' life science cluster has received direct government support in the form of Birmingham Health Innovation Campus's designation as a Life Sciences Opportunity Zone. AgriTech, Animal Health and Aquaculture (AAA), Medical Devices, Digital Health in Edinburgh & the Lothians - Home to various world-leading institutions within AAA, including the Moredun Research Institute, the University of Edinburgh's Royal School of Veterinary Sciences and a recently developed dedicated Agri-Tech campus (Easter Bush). The area has a broad-based life sciences cluster, also encompassing digital health and medical devices including Charles River (Ormistoun, Pharma testing services) and Valneva (Livingston, vaccines manufacture)	Aquaculture in Rogaland & Vestland (Norway) - Very fertile start-up culture, with a large number of emerging companies in sensor and measurement technology and aquaculture management software, with significant private sector backing. There is extensive education infrastructure for ensuring a steady stream of graduate talent and innovation, with more than 14 vocational schools offering apprenticeships in the sector, including for those without qualifications. Innovation Norway is a highly active government agency in promoting innovation in this sector through start-up financing, with more than 80% of start-ups having received funding from them in the past five years (Norwegian Agriculture Analysis, 2022). Medical Devices and Digital Health in Berlin (Germany) - Berlin is home to more than 350 companies and 40 research institutes within medical technology, medical devices and diagnostics. There is an estimated 31,600 life science employees, with a significant STEM graduate pool to draw upon from the large number of local universities. The German Federal Government has identified "personalised medicine" as one of six growth sectors for further financing and government backing as part of its "High Tech Strategy".

The Inverness tax site, specifically Inverness Campus, will focus on attracting further Life Sciences investment to the region. Building on the successful phase 1, phase 2 of the campus will look to develop serviced plots for sale to Life Sciences inward investors. Inverness has an existing anchor organisation in Lifescan which will support a clustering effect around the medical devices sub-sector,

potentially in devices related to the in-vitro diagnostics that Lifescan specialise in such as point of care testing and digital diagnostics.

Proximity to the main medical hub for the Highland region at Raigmore Hospital creates opportunities to target businesses looking for collaborative opportunities to develop technology in digital health. The rural and remote nature of the region presents opportunities for trialling technology in remote patient monitoring and wellness and symptom tracking.

The Inverness Campus and wider Highland region has developed a thriving Agri-Tech, Animal Health and Aquaculture (A) sector with investment at the Inverness Campus from the Scottish Rural College (SRUC), among others, now based there. With SRUC as an anchor tenant Animal Health and Agri-Tech sub sectors such as crop productivity, sensors and data science and Animal Feed/Nutrition businesses will be attracted to the site.

Marine technology

All ports within ICFGF will focus on using marine technology to innovate how they operate (using AI and autonomous systems for example).

Furthermore, the Green Freeport has a world leader in marine technology for aquaculture and adjacent sectors as a potential anchor tenant at Inverness Harbour, within the Inverness tax site. Gael Force Group has been trading for 40 years and has operations globally, including in Canada and Gran Canaria. The company is a leading supplier of equipment, technology and services for the aquaculture sector. Green Freeport status will allow the company to expand its export activity and enter new markets in the barge and technology construction sector. This will be enabled by Port of Inverness expanding the commercial land available at the ports, benefitting from Green Freeport seed capital investment and tax measures. Competition to the sector is primarily international with two sites summarised in the table below.

Table 5: Marine technology competitors

Domestic competition	International competition
Port of Hamburg (Germany) – The port is home to the Centre of Maritime Technologies, which conducts R&D on logistics, new materials, ship concepts and alternative energy sources. Hamburg’s University of Technology also has an Institute of Marine Logistics	Rogaland, Vestland & MARINTEK (Norway) - Fertile start-up culture, with a large number of emerging companies in sensor and measurement technology and aquaculture management software, with significant private sector backing. The Norwegian Marine Technology Research Institute (MARINTEK) performs research and development for companies in the field of marine technology.

This sector is primarily focused around the Port of Inverness with Gael Force as an anchor tenant. The physical infrastructure needs of the aquaculture sector will be the main sub sectors targeted. This will include the manufacturing and maintenance for vessels used in aquaculture as well as mooring systems and cages.

Port services and other renewables

It is likely that the investment in port infrastructure will allow tax sites to be used by other sectors in renewables deployment. Investment in port infrastructure will accommodate expanded onshore renewables support, with a number of onshore wind bids in AR5 likely to use the Port of Inverness. Here, freight requirements for the pumped storage projects proposed for Great Glen (over 2.5GW) will be decarbonised by the reintroduction of barge freight on the Caledonian Canal.

Scotland is a world leader in the development and deployment of tidal energy technologies, with a number of successful bids in AR5. Various tidal technology solutions have been developed on ICFGF

tax sites in the past, with further opportunities in the future. Following designation of the ICFGF tax sites Orbital Marine have announced Global Energy Group at the Port of Nigg as their preferred manufacturing partner.

The ports within the Green Freeport also have a large part to play in the ongoing operations and maintenance of offshore renewables, which will provide long term employment over a 25–30-year period.

Anchor investment and supply chain investment

ICFGF tax site landowners are actively investing in their sites to make them ready for supply chain investment, whether from the landowners themselves or inward investors. In this context the investment in the tax sites to improve or unlock them is considered anchor investment which will in turn lead to supply chain investment from inward investors.

Examples of the anchor investments being made are demonstrated by the range of seed capital projects being proposed. At Port of Nigg and Port of Cromarty Firth there are several port infrastructure projects that will significantly increase the availability of onshore land and quayside available to the FLOW sector. Highland Deephaven are also exploring future expansion options at their site.

At Ardersier landowner Haventus has invested £300m into the site to redevelop and regenerate it for FLOW inward investment and have just secured an additional £100m loan from SNIB and UKIB. At Inverness Campus, Highlands and Islands Enterprise are looking to develop serviced plots for inward investment from Life Sciences and advanced manufacturing businesses. Highland Council are making investment at the Longman site to allow inward investment in Hydrogen.

Investment is also being made in infrastructure out with the tax site to remove barriers to future development from planning restrictions. This is demonstrated by the Tomich junction improvements which will be part funded by seed capital and the East Link road in Inverness funded in part by the Inverness City Region Growth Deal.

These anchor investments will open the tax sites to investment from inward and local investors in the wider supply chain. While there are many enquiries to date, an excellent example of a supply chain investment is from Sumitomo Electric into the Port of Nigg. While requiring £350m of investment from Sumitomo it has also required anchor infrastructure investment by Port of Nigg to unlock it, in quayside, roads and transmission.

It is anticipated that this model will be replicated across all the tax sites and sectors with enquiries to date strongly suggesting this will be the case.

Strengths, weaknesses and target investment by Green Freeport site

The table below summarises the strengths and weaknesses by Freeport tax site along with the target subsectors by tax site.

Table 6: Strengths, weaknesses and target investment by Green Freeport site

Site	Strengths	Weaknesses	Target investment
Cromarty Firth	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
Ardersier	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
Inverness	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]

2. Alignment with UK & Scottish Government Policy

Government Policy	ICFGF Alignment
Scotland's National Strategy for Economic Transformation (2022)	The National Strategy sets out five programmes for action, one of which is to “strengthen Scotland's position in new markets and industries, generating new, well-paid jobs from a just transition to net zero”. The Trade & Investment Strategy will help realise this by positioning the Inverness and Cromarty Firth Green Freeport as a leading exporter in markets that are key for Scotland, both now and in the future, such as traditional sectors and those emerging e.g., Hydrogen, Space and Renewables (FLOW)
Levelling Up the United Kingdom (2022)	The Levelling Up White Paper aims to address geographic economic inequalities across the UK. The Trade & Investment Strategy will contribute to the mission of “boosting productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging” by supporting the creation of high value jobs across the Inverness and Cromarty Firth Green Freeport, including in areas of endemic multiple deprivation, with skills programmes and place-based regeneration investment to spread the benefits of trade and investment to spread benefits widely.
The Ten Point Plan for a Green Industrial Revolution (2020)	Highlights the approach government will take to build back better, support green jobs, and accelerate the path to net zero.
Scotland: A Trading Nation (2019)	The Scottish export growth plan sets out Scotland’s export strengths, the priority markets and sectors which provide the best opportunities for Scottish companies to boost export performance and the support mechanisms in place to expedite export growth. The priorities within A Trading Nation align with the principles of Scotland’s Vision for Trade. Collectively these policies set the direction for ‘where’ and ‘what’ the biggest export opportunities are for Scotland and ‘how’ we’d like to trade and be viewed as a global trade partner. Key to success is alignment of Scottish exporters with the principles and direction. The focus of Inverness and Cromarty Firth Green Freeport to build green sectors and create green jobs will significantly contribute to Scotland’s drive to net zero and sustainability ambitions. The international markets which the Green Freeport will drive exports to and the types of product and service exports which will scale up based on the strengths of the Green Freeport wholly align with the strategic context set by these Government policies.

Scotland's Vision for Trade (2021)	Scottish Government's vision for creating the right types of trade and investment relationships for Scotland, the strategy is underpinned by five trade principles: inclusive growth; wellbeing; sustainability; net zero; and good governance.
Shaping Scotland's Economy: Inward Investment Plan (2020)	The Inward Investment Plan sets out an ambition of Scotland being a leading destination for inward investment and identifies nine key opportunity areas where Scotland's strengths match global investment flows. This Trade & Investment Strategy is predominantly, but not exclusively, aligned with Energy Transition and HealthTec.
Investing with Purpose: Global Capital Investment Plan (2021)	The Investment Plan sets out the role of private sector capital investment in the Scottish economy. The Trade & Investment Plan will help deliver multiple actions set out in the Investment Plan. In particular the Strategy will "identify and prioritise place-based opportunities or clusters e.g. low-carbon heating or hydrogen, and accelerate their investment-readiness for both company and infrastructure investment" and will "identify and secure the private capital investment needed to develop internationally recognised clusters of excellence in our identified sectoral themes (Low Carbon, Digital, Health and Life Sciences, High Value Manufacturing) and build investment solutions for their business ecosystems" by setting out investible propositions across the Inverness and Cromarty Firth Green Freeport tax and customs sites, aligned to sectors such as FLOW and Hydrogen.

3. Utilisation of Government Support – Roles and Responsibilities

Working with DBT, SG, SDI and Enterprise Agencies

Fundamental to the successful implementation of the ICFGF Trade & investment Strategy will be the ability to work in partnership with SDI Trade and Investment teams, Department for Business and Trade's (DBT), the Enterprise Agencies (in this case Highlands and Islands Enterprise) and the Local Authority, Highland Council.

Effective joint working and partnership will ensure the support provided by the Green Freeport will complement, not duplicate, support mechanisms already available by public sector agencies and departments.

Trade & investment support overview

Department for Business & Trade (DBT) is the UK Government department for economic growth working to support businesses to invest, grow and export, creating jobs and opportunities across the UK. DBT is a key partner on trade and investment activity along with agencies Scottish Enterprise, Highlands & Islands Enterprise, Skills Development Scotland and Scotland's Local Authorities.

Scottish Development International (SDI) is Scotland's national trade and inward investment agency, helping businesses from around the world do business in or with Scotland. SDI promotes Scotland as a great place for investment and trade, helping to create a more dynamic and globally competitive economy in Scotland. This is achieved by providing information, advice, targeted support and partnering with businesses and investors that want to set up, invest or trade with Scotland, and helping businesses find the connections they need around the globe.

Partnership working at local, regional, national and international levels underpins work to develop and implement the 'Team Scotland' approach, amplifying efforts to build Scotland's reputation and reach in strategically important international markets.

Trade support

The current export support offer to Scottish companies via SDI, Scotland's enterprise agencies, DBT and other public sector partners is expansive. The support is intended to raise awareness, ambition, develop export capability and support companies to drive up levels of exporting. The majority of support mechanisms are available to all Scottish companies and will be a key lever in increasing trade through the Green Freeports.

ICFGF will facilitate introductions and embed good working relationships across the trade support providers and businesses situated within the Green Freeport to ensure support is fully utilised and the export growth potential from the Green Freeport is realised.

Trade support from SDI, DBT and HIE cover all aspects of exporting including international market research, strategic planning, export finance, market opportunities, export related funding, sector specific trade support, missions, market entry and knowledge building around moving goods across borders. The support comes in various forms including tailored one-to-one support, programme and workshop activity, digital self-serve, and peer support. At Government level, economic diplomacy and Ministerial intervention can provide strategic engagement and policy led opportunities.

Businesses will be supported to capitalise on the knowledge, experience, connections, and in-market supply chain opportunities identified by the network of SDI/DBT trade specialists in over 100 international markets. Both SDI and DBT invest in trade promotional activities to create awareness and demand in target international markets for Scottish and UK products and services, which will also be of benefit to businesses with the Green Freeport.

The ICFGF team will support the trade objectives as follows:

- Articulate the breadth of trade support available from the enterprise agencies and across the wider public sector. This includes Scottish businesses situated within the Green Freeport and those international inward investors which have potential to export at scale once established within the Green Freeport.
- Align export support provided by the Green Freeport with the existing support landscape.
- Align trade promotional activity by the Green Freeport with that of the enterprise agencies and seek out opportunities to collaborate and profile the Green Freeport as part of wider trade proposition development.
- Seek to steer alignment of the businesses' strategic export growth ambitions with those of the enterprise agencies and the sectoral and market focus of the Green Freeport.
- Introduce businesses to wider trade initiatives being led by the enterprise agencies where there is potential for joint working, particularly those aligned with priority sectors and markets.
- Support businesses in understanding the tax, duty and tariff benefits and simplified customs processes applicable within the Green Freeport customs sites and how these levers can reduce their costs and increase their international competitiveness.
- Where required, make introductions via the enterprise agencies, to providers of specialist consultancy and support around the more technical aspects of international trade. For example, VAT, licensing, compliance, international trade skills development and logistics expertise.

Inward investment support

The Team Scotland approach concerns proactive targeting of opportunities that will create not only jobs but also bring wider spill over benefits that will positively impact Scotland's regions and wider UK economy.

The focus is on opportunity areas where Scotland and UK's strengths meet the world's needs, intersecting with global investment flows. The approach focuses the investment ecosystem to attract inward investors aligned with values of fair work and a net zero, low carbon future.

In a practical sense SDI and DBT undertake lead generation activity, networking and identifying new opportunities for inward investment, proactively identifying companies with high propensity to invest. This involves identification of target companies for outreach, researching prospects, developing, and implementing the engagement strategy for target companies.

Business development work focuses on managing the pipeline of inward investment sales leads and projects, driving the volume and velocity of projects progressed to the stage that Scotland is on a shortlist of locations competing for investment.

SDI's Global Companies team, HIE's Client Engagement Managers and DBT's Strategic Relationship team additionally manage strategic existing inward investors in Scotland and encourage expansion and re-investment projects with these companies.

Support includes:

- Property searches and advice to help businesses find the right facilities.
- Academic connections to Scottish universities and colleges.
- Supply chain development to identify partners and suppliers that can support business.
- Links to intermediary business professionals.
- Talent, recruitment, and skills advice to access the skills and experience businesses require.
- Flexible workforce development to support staff development needs.
- Links to local and global business networks.
- Financial incentives.

DBT and SDI offer an extensive international footprint, promoting the UK and Scotland around the world and focusing inward investment resource on opportunities that will create sustainable economic impact including offshore wind, hydrogen, green heat, software & IT and space industries.

Establishing Green Freeports as hubs for global trade and investment is a key policy objective of the Green Freeport programme. The economic impact includes the establishment of new industries, the leveraging and enhancement of existing economic activity, increased quality of opportunity for employment, higher wages, productivity gains, increased exports, and regeneration of communities.

The strong vision at both Green Freeport and site-level will serve to complement, align and inform SDI and DBT proposition and marketing activity. The enhanced asset base and attributes surfaced through the Green Freeport can further build the case for investment in sectors and subsectors targeted by SDI and DBT internationally.

The Green Freeport can interface with SDI and the partner agencies regionally in Scotland, and with DBT functions in Edinburgh and London, including the Office for Investment which supports the landing of high value investment opportunities into the UK aligned to priorities, such as reaching net zero, investment in infrastructure and advancing research and development.

Where an inward investment is considering multiple locations within the region then the ICFGF will act as an independent broker to promote the best solution for the economy and the community.

Global capital investment will play a role in meeting objectives around Net Zero, place making and inclusive economic growth. Scottish Government's Global Capital Investment Plan 'Investing with Purpose' focuses on attracting productive forms of private capital investment, by creating the right market conditions, in a way that is consistent with values. This supports Environmental, Social and

Governance (ESG) investment with four economic themes identified aligned with international comparative advantage:

- low carbon transition
- health and life sciences
- digital
- high value manufacturing

These four economic themes are supported by a fifth priority around 'place', with an emphasis on developing clusters of expertise and investment attraction.

SDI, DBT and partners can support the Green Freeport's inward investment activity via:

- Market analysis to identify target sectors, companies, and opportunities.
- Business support and advice for investors from dedicated advisers across both business regulation and industry sectors.
- Financial support to inward investors to locate, expand or maintain operations in Scotland.
- Promotion of the Green Freeport to internationally located companies as part of the overall Scottish and UK narrative, through marketing collateral, events and utilising both brand activity. Examples include DBT's Floating Offshore Wind High Potential Opportunity (HPO).
- Engagement and introduction of prospective investors through DBT and SDI global networks.
- Work in partnership with inward investors to encourage their operations in Scotland.
- Showcasing and upskilling Scottish, UK and global field teams on the proposition.
- Skills information and support.
- Supply chain inward investment.
- Ministerial engagement to support high value investment projects.
- Understanding the tax and customs benefits available, along with the pipeline of projects.

T&I roles and responsibilities

Inward Investment

	Investor Attraction	Target and Lead Generation	Go to Market	Sales and Market Development	Project Landing & Aftercare
Landowners	Detailed Sector, Market Research and Market Assessments. Site Competitiveness Reviews Site Marketing Strategies	Develop site/marketing plans and continue site marketing. Sector supply chain analysis – identify gaps / companies to prospect.	Continued engagement with target companies. Continued participation in events/networks	Support II visits as required	Providing soft landing facilities i.e., Campus
GFP T&I	Fully understand and market the USP's / GFP Offer incl. tax incentives & benchmarking i.e., investment zones Engagement in Gov't Invest Agenda – Knowledge of incentives, support environment. Engagement with private sector & Academia Marketing Strategy for Overall GFP	Develop market / sector propositions for GFP. Research to identify FDI targets – geographical markets and companies. Develop sector/market plans. Market engagement	Reach out to, prospecting and engagement with target companies. Participate in events/networks. Manage enquiries and projects. Track leads, enquiries and pipeline Engagement with potential investors through overseas offices (DBT/SDI) and at events	Bespoke propositions, benchmarking and location analysis Lead and coordinate II visits across all sites, incl intros to relevant agencies as required. Instigate, manage and ensure consistency of reporting – enquiries, pipeline, successes for SG and UKG	Facilitating intros to relevant organisations i.e., academia, recruitment agents. Exploring reinvestment opportunities Provide soft landing facilities or direct as appropriate
Support Agencies (HIE, SDI, DBT)	Knowledge raising across all SDI, DBT staff and offices of the GFP opportunity, USP's and target markets.	Support development of marketing collateral and integrate into existing investment promotion campaigns: - including Cromarty Firth HPO, DBT's GREAT campaign, SG's Scotland is Now – Energy Transition.	Engagement with potential investors through overseas offices (DBT/SDI) and at events Track leads, enquiries and pipeline	Support visits Provide advice on financial incentives & non-financial support (i.e., client engagement) Introductions to Academia, Recruitment Agents Instigate, manage and ensure consistency of reporting –	EA Client Engagement

		Development of Green Freeport Pitch Book. Develop market / sector propositions for GFP. Development of target company lists for key geographies, sectors (DBT/SDI) Leads generated through existing strategies – DBT & SDI		enquiries, pipeline, successes for SG and UKG	

International trade

	Building capacity – providing the knowledge to start exporting	Providing Opportunity – providing access to the right contact and networks	Building Understanding – providing information to expand
Landowners	Market & Sector Analysis Market Access Capability & Research Skills Export Logistics Expertise Digital Trade Platforms (?) Commercial Facilitation, Negotiation & Due Diligence	Market Mapping and Supply Chain, Gap Analysis	
GFP T&I	Fully understand the USP's / GFP Offer for International Trade, including Customs and Tax benefits for exporters. Engagement in Gov't Trade Agenda – Knowledge of trade support landscape, incentives etc. Export Financing, Services and Options Export Logistics Expertise International Trade Legal Expertise International Trade Financing Expertise	Trade Promotion & Lead Generation Market export options (logistics, distributors, agents) incl. regional partners and market access points Identification of domestic supply chain companies, as potential GFP exporters Linking companies into trade support environment i.e., 1:2 many and 1:2:1 support – DBT, SDI, HIE	Referral to SDI A Trading Nation – experience exporters support. Continued help with market access points and overcoming barriers to exporting.
Support Agencies	EA's – 1:2 many and 1:2:1 new and early-stage exporter support (International Planning &	EA's – client engagement support, advice and financial support for expansion	

(HIE, SDI, DBT)	Strategy, market awareness webinars, International Selling etc) SDI – 1:2 many support for new and early-stage exporters, Preparing to Export	SDI – 1:2:1 Trade Advisory Support for ATN clients, in market specialists, field offices, trade shows / exhibitions DBT – 1:2:1 Trade Advisory Support, Global Field Offices, UK Export Academy, Overseas Trade Shows and Exhibitions	

4. Export Services – Barriers to trade and the role of ICFGF

Barriers to trade

In order to identify which export services, and why, will be required for the ICFGFs target sectors the barriers to trade must first be identified. These barriers can broadly be split in to two categories. Barriers that exist now and barriers that may arise when investors start trading. Following consultation with landowners it emerged that the barriers to trade that currently exist are structural and affect the UK as whole. These structural barriers are:

1. Policy
2. Technology
3. Infrastructure

Table 4.1 identifies the type of structural barrier, the sector it affects and the relevance and influence of ICFGF in addressing this barrier.

To aid forward planning future barriers to trade have been identified for ICFGFs sectoral mix using the following categories:

1. Access to information
2. Access to services/resources
3. Access to partners/suppliers/buyers
4. Access to networks/profile
5. Ongoing relationship management

Illustrative activities that ICFGF could undertake have been identified to mitigate each potential future barrier.

Table 4.1

Structural Category	Barrier	Sectoral Relevance	ICF Role (If Any)
Policy	Consenting (for windfarms and ports, use of new technology) delays hold back investment.	FLOW Marine Life Sciences	requires planning policy & regulator resourcing change. ICFGF has a lobbyist/influencer role Research & analysis (to quantify impact) Connecting/Matchmaking (with larger, experienced firms) Signposting (to support services)
	Lack of policy and regulatory framework that supports exports	FLOW Hydrogen (UK policy is to prioritise domestic use) Life Sciences	Marginal GF relevance – requires industrial strategy change. Research & analysis (to quantify impact) Signposting (for lobbying)
Technology	FLOW technology is immature, with uncertainty about which floater archetype will persist.	FLOW	Marginal GF Relevance – requires firms to advance and coalesce on technology. Signposting (to funding support)
	There is still considerable technological growth and scaling required for the mass storage and transmission of hydrogen and its derivative forms.	hydrogen	Marginal GF Relevance – requires firms to advance technologically. Signposting (to funding support)
Infrastructure	Lack of infrastructure (e.g. storage/ compression assets, pipeline). Ports are not equipped with infrastructure facilities to export Hydrogen.	Hydrogen	Requires major investment. Advocacy for investment role. Effective deployment of seed capital. Connecting/Matchmaking (to agree common definition of problem) Signposting (to funding support). Investment opportunity fund requires ICFGF introduction.
	Road's servicing port will not be able to take the increase HGV using them for access/deliveries.	Port Services Marine	Marginal GF relevance – requires major investment.

			Connecting/Matchmaking (to agree common definition of problem) Signposting (to funding support)
	Cost of green hydrogen production in the UK is higher compared to other parts of the world where cost of renewable electricity is much lower. Germany a key import market in Europe is currently exploring imports from more cost-effective markets (Africa, Latin America, Middle East and Australia)	Hydrogen	Marginal GF relevance – requires electricity market reform. Research & analysis (to quantify impact) Signposting (for lobbying e.g. electricity market reform)

Table 4.2

Barrier Category/Type of Need	Barrier Description	Sectoral Relevance	Illustrative Activities
Access to Information	Duplicate medical approval process (UKCA marking CE marking for Europe)	Life Sciences	Connecting/Matchmaking (with larger, experienced firms) Signposting (to support services)
	Without accurate information on future manufacturing/construction demand, firms struggle to find and deploy capital to meet order books.	FLOW Port Services Marine	Research and Analysis (working with GTE and others to provide information on target markets) Connecting/Matchmaking (to share pipeline and turbine lifecycle information)
	Small firms struggle to vet potential international partners.	FLOW	Research and Analysis (list of approved firms) Signposting (to support services) Connecting (to large firms with experience)

	Firms waste time and money repeating the mistakes of others in terms of finding the right formula/content to add to applications for consenting, planning, etc.	FLOW	Research and Analysis (a lessons learned document) Signposting (to support services) Connecting (to firms with experience)
	Firms do not understand target markets or firms they could break into.	FLOW	Research and Analysis (working with GTE and in house experts to identify target sub sectors and firms) Signposting (to support services) Connecting (to firms with experience, contacts abroad, etc)
Access to services/resources	CAPEX Support - Capex Support (capital expenditure support used to maintain or upgrade an asset) is difficult to obtain; especially for SMEs.	FLOW	Connecting/Matchmaking (to more experienced firms/those with capital) Signposting (to funding support)
	SMEs struggle to compete with larger firms – not only from a technical and commercial perspective, but also from a governance, regulatory and compliance perspective	FLOW	Signposting (to support services for SMEs) Relationship/Account Management (to support specific SME problems) Connecting/Matchmaking (to encourage collaboration between SMEs and larger tenants)
Access to partners/suppliers/buyers	International firms are likely to use existing partners not based in the UK	FLOW Hydrogen	Connecting/Matchmaking (to ensure international firms know local firms) Research & Analysis (to establish whether development fulfils local content requirement) Events & Marketing (to showcase)
	Domestic operators will struggle to target international markets, whilst satisfying local demand.	All	Connecting/Matchmaking (to encourage collaboration between firms on common offers) Research & Analysis (into target markets, etc) Signposting (to support services)

	Firms (especially small ones) may struggle to engage larger ones/come to common cause for development for the greater good.	All	Connecting (to broker/act as intermediary)
Access to networks/profile	Potential investors may be put off by lack of knowledge of SGFP status as well as myths about the policy (e.g. labour and environmental laws).	All	Events and Marketing (a brochure combatting myths and explaining what Green Freeport status means)

Role of ICFGF and Partners in Export Services

It is crucial that in the provision of export services there is no duplication of effort across the various organisations providing support. Support provided by ICFGF should seek to signpost to existing provision in the first instance and provide additionality to that existing support.

To achieve this aim five key areas of export support have been identified. These are recommended based on the recognition that many of the structural barriers to trade are not within the ICFGFs remit to address. The five areas of support will help address potential future barriers while providing additionality to the support already on offer. The five areas are:

1. Research and Analysis
2. Signposting
3. Connecting and lobbying
4. Events and Marketing
5. Relationship/Account Management

It is important to note that the support provided will evolve over time as investment and trade accelerate and barriers become clearer. These areas of support will allow ICFGF to remain close to emerging trends in the target sectors and be responsive to need.

Table 4.3 shows the suggested export service and activities that could be provided to deliver on that service.

	Suggested Trade Service	Illustrative Activities
Research and Analysis	Provision of target market, sub-sector and firm information	Work with GTE to build and maintain a central depository of trade and investment statistics (i.e. of target opportunity by sub sector and firm) for use by ICFGF partners; and provide bespoke information upon request. On a demand-led basis, ICFGF and partners could conduct the below (as needs emerge with economic development): ○ Produce research into target sector/market regulatory processes/challenges for an SME/Anchor Tenant ○ Produce business sector analysis /maturity study for an emerging industry tenant (e.g. FLOW) ○ Produce competitor analysis and partner profiling briefs for the UK market (SME) ○ Update existing target sector/market local supply base mapping ○ Target market competitor analysis ○ Target market access points and barriers ○ Target market country profiling (general economic position of the country / business (data / stats) ○ Target market country profiling (main drivers, strengths etc., performance GDP, GDP per capita) Conduct export readiness assessments (readiness to enter new markets) on behalf of SMEs) ○ Export planning and strategy e.g.- support in identifying areas for improvement in terms of product adaption, marketing strategies etc. ○ Signpost to regulatory and legal advice in new target markets
	Create and share demand forecasts to supply chain firms	Encourage large firms to share demand forecasts with SMEs, perhaps creating a confidential mechanism.
	Maintain a list of vetted international companies.	Maintain a list of firms by sub-sector which have been vetted by other firms (likely benefitting SMEs). NB: this information may be commercially sensitive and, as such, this service could be nested under connecting, with ICF only suggesting to SMEs contacts in larger firms who may have already conducted vetting on the SME's potential international partner.
	Maintain institutional knowledge on regulatory lessons learnt	Maintain and build institutional knowledge on regulatory lessons learnt (e.g. planning, new medical regulations post Brexit): ○ Deliver Teach Ins/workshops on particularly important/widely relevant lessons learnt. ○ Facilitate workshops to identify lessons learnt from prior experience.

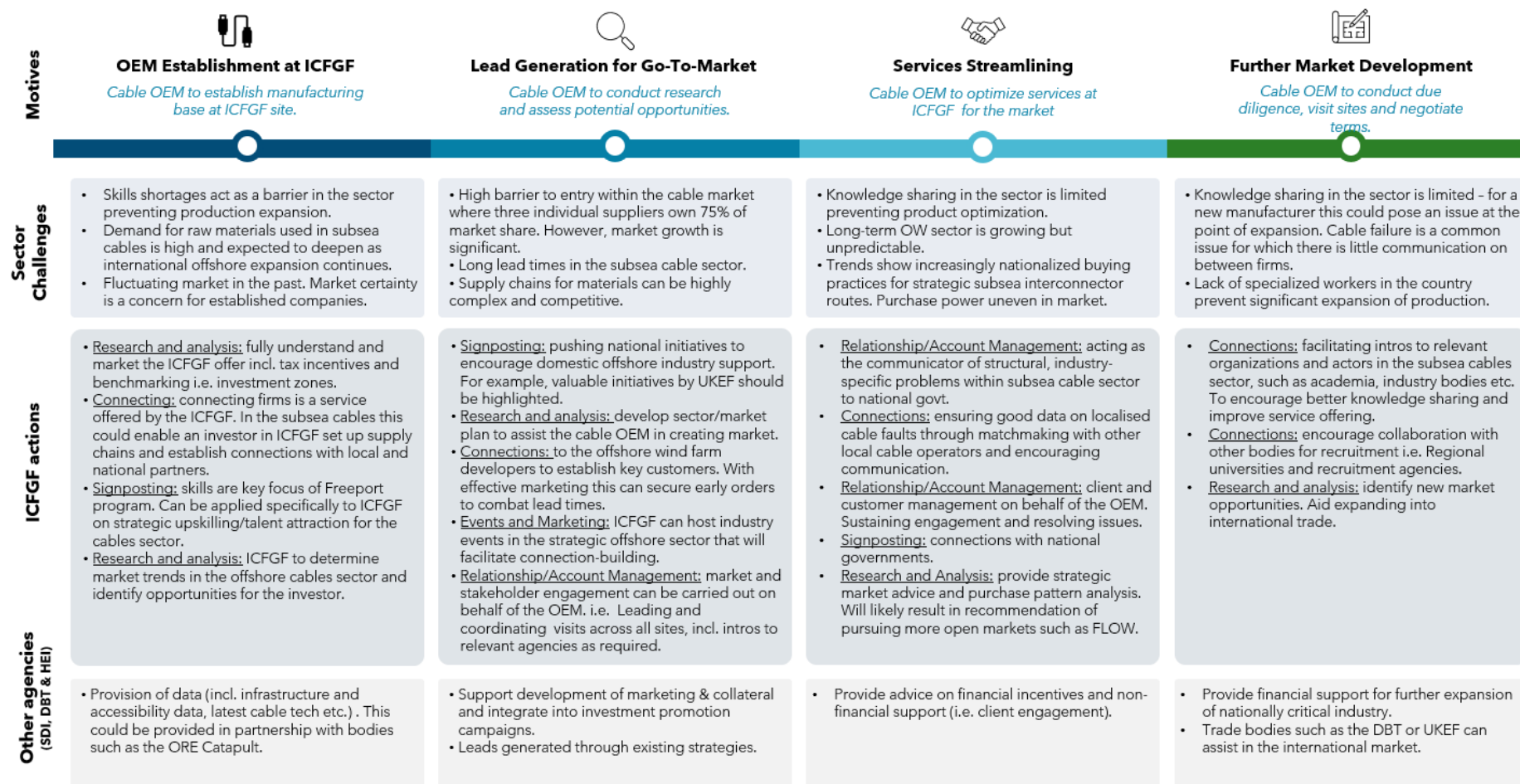
		○ Maintain a depository of ‘what good looks like’ to inform future applications. ○ Create template/masterplan versions of applications which are known to be robust/acceptable to government, to inform future applicants. ○ Work with Forth Green Freeport to share experience of lessons learnt in other parts of Scotland.
Signposting	Act as a central information hub on latest government funding opportunities	Provide additionality through the creation of a one-stop-shop for signposting local, regional and national support services which ICFGF firms may struggle to navigate. Leverage networks with FREN, DBT, regulators, etc to request/organise Teach Ins on regulatory/other governmental requirements and support offerings.
	Act as a central information hub on support services available from other enterprise agencies	Create an IT comms channel to cascade updates, filtered by ‘tags’ to ensure information gets to the right people. Create a dedicated resource repository on the ICF website indicating where businesses can locate updates and/or information on: ○ Funding opportunities ○ The enterprise agencies operating regionally or nationally (SE, HIE etc.)
	Act as a central information hub on service providers in and around the site	○ Support services available to businesses from enterprise agencies ○ Service providers (recruitment, resourcing, skills, housing, logistics, legal or other services required across export landscape)
Connecting	Facilitating business-business matchmaking	Coordinate meetings between larger anchor tenants and potential local suppliers (SMEs or other) Coordinate meeting between potential investors and local industry (professional services, potential local supply chain firms)
	Facilitate inter-sectoral linkages	Facilitate meetings/provide introductions between O&G industry and emerging FLOW companies who might leverage similar infrastructure or resources.
	Facilitate discussion on how ICFGF firms might collaborate as well as compete.	Leverage ICFGF strategic vision/competitive assessment/convening power to work with GTE to identify market opportunities overseas; and then assessing why ICFGF working collectively (i.e. using all firms and infrastructure) maybe able to satisfy product demand which no single site could alone. Organise ‘innovation challenge’ events at which firms (especially SMEs) outline their opportunity/offering and whether it could be expanded into other elements in the value chain which other ICFGF firms have expertise in.

		Broker discussions/negotiation between ICFGF partners/sites on any opportunity to work collaborate rather than compete for certain items.
Events and Marketing	Marketing (online & print)	Develop Green Freeport brochures detailing opportunities/benefits of tenancy at the site – including myth busting of untrue claims (e.g. labour and environmental laws). Develop Green Freeport branding guides (online/print), e.g. clear one-page guidance on using ICFGF logos or branding in private company marketing resources for external markets. NB: this should leverage existing DBT resources. Develop informational video explainers on what the Green Freeport is/how it works/ highlight key tenants and areas for opportunity.
	Showcasing Events	Host local events to showcase opportunities in and around the Freeport. NB: it is unlikely to be value for money to deliver these internationally; work that is already undertaken well by SDI. However, ICF should certainly attend these/ensure the Green Freeport offer is showcased. Host 'beauty parades' with Scottish, UK and international investors to explain the benefits of Green Freeport status.
	Meet-the-Buyer Events	Events aimed to connect potential buyers or suppliers in and around the Freeport.
	Educational Events and Knowledge Exchange	Develop and host webinars and masterclasses on topics such as international trade practices, export documentation and cultural considerations when expanding into new markets.
Relationship Management/ Account Management	SME Advisory	Dedicated time to hold 1:1 meetings with specific anchor tenants or industry leaders in ICF to discuss challenges, resourcing needs, other trade related barriers – and which services (from above) the firm could deploy. NB: it is unlikely that ICF OpCo financing could fulfil a wide range of activity.
	SME Mentoring	Mentoring service by Trade Manager and/or ICF CEO/other senior staff to provide guidance/support to SMEs.
	Investor Relationship Manager	Dedicated relationship manager assigned to overseas target investors unaccustomed to the government, support and firms of the region/country/wider UK - and which services (from above) the firm could deploy.

5. Investor Journey – Investment to Export

To illustrate how the support identified in section 4 could be used in practice the example of a subsea cable manufacturer has been used to show how a business could be supported from investment decision to export by ICFGF

End-to-end Investor Journey: Subsea Cable Manufacturing (FLOW Sector)



6. Exporters Logistical Business Needs

Storage

The Green Freeport contains five port sites at Ardersier, Cromarty Firth, Inverness, Deephaven and Nigg. Each of the ports have storage facilities to complement the offshore wind industry.

Ardersier is a former North Sea oil and gas fabrication yard and is one of the largest brownfield ports in the UK, with 162 hectares of land. Ardersier is a significant regeneration project for the local economy and builds on the site's history. The port is looking at the opportunity to utilise this brownfield site for future offshore wind projects linked to the ScotWind leasing round. The longest quayside length is 1.5km and has an available storage space of 182ha, however no wet storage is currently available, but this concept is currently at planning stage. There is currently 450 acres of planned storage, with early discussions around extending this further.

Port of Cromarty Firth (PoCF) has been active in offshore wind developments in Scotland for a number of years. The Port was selected as the substructure storage and load-out facility for the Beatrice offshore wind farm and has also succeeded in securing a major contract from Ocean Wind's Moray West offshore wind farm. A £30m investment by PoCF has seen the port expand its operational laydown area and deep-water quayside to accommodate larger offshore wind projects. This investment has put the port in a strong position to secure future work from the offshore wind industry. The longest quayside length of the port is 372m and the available storage is 12ha and wet storage 2300ha.

The Port of Inverness offers one of the most sheltered and natural ports in the North of Scotland. With limits extending from Fort George right up to the River Ness. The Port Authority owns an extensive area of foreshore, known as Harbour Gait, which extends to and beyond the Kessock Bridge. There is the opportunity to create first class facilities and the Port Authority have plans to reclaim this land. Upon reclamation, this area can provide up to 39ha (96acres) that is suitable for a number of different uses including expansion of the port, with increased laydown facilities together with being able to offer offshore and onshore wind related companies their own bespoke facilities. The longest quayside length is 340m with 3.6ha of storage available. The expansion plans focus on further land reclamation around the Kessock area and is at early development stage.

Highland Deephaven is an expansive area of industrial and agricultural land along the coast of the Cromarty Firth next to the settlement of Evanton. There is some substantial industrial infrastructure already on site but there remain large areas of un-developed land. There is a 1km long jetty as a causeway to access the deepwater in the Cromarty Firth and the potential to expand the jetty to accommodate future tenant requirements. The land space available at Highland Deephaven is 473 acres. This site is unique with regards to its potential for multiple transport links in one site being: road access direct onto the A9, sea access from the Cromarty Firth and a mainline rail link. The water depth at the site is 6 metres and capable of 12m.

Situated at the mouth of the Cromarty Firth, the Port of Nigg has already seen extensive use as a construction port for the wind industry. The port has been successful in winning further work on the Moray West project. The longest quayside length is 370m with 74ha of storage available. The expansion plans are that GEG is currently exploring investment for 3 projects; 1. Extension to the Inner East Quay (230m of additional sheltered quayside) 2. West Quay Extension (+420m total quayside and 22m LAT making it one of deepest ports in UK) and 3. Tower Manufacturing Facility. Scope to add a further 1.6 acres of storage to the west quay.

Transport/Distribution

The region is served with road, rail, maritime and air connections, which will be beneficial for the transport of freight to and from the Freeport sites.

Freight Type	Freight Detail
Road	The strategic road network connects the area's regional centres with national gateways. The strategic road network in Highland includes links such as the A9, A96 and A82. Road transport is the dominant mode for freight transport in the region. In 2022, approximately 18.7 million tonnes of freight was lifted by UK HGVs in the Highlands and Islands (excluding Shetland). (source: Scottish Transport Statistics 2022). Distance from the Central Belt means there is a high dependence on road-based freight transport and the trunk road network to connect with the many distribution centres and freight forwarders in the Central Belt. The region also has high concentrations in freight intensive industries (particularly road freight) for food and drink (e.g., whisky, aquaculture) and forestry.
Rail	Rail is a successful mode of transport for freight for the Highland region. Rail freight is an important aspect of decarbonising the network, particularly in light of the Scottish Government's Rail Services Decarbonisation Plan. It also offers the opportunity to reduce the impacts of road-based freight for maintenance and congestion, which are particularly important, given the length of roads that require to be maintained in Highland and the extent that do not facilitate safe over-taking slower vehicles such as HGVs. Several of the bulk products moved to and from the region are well suited to rail freight. Looking ahead, the Scottish Governments Action Plan for rail will see the decarbonisation of all Scotland's rail network by 2035. This will include the electrification of the Highland Mainline, bringing benefits for the movement of passengers and freight to/from the region and the central belt.
Maritime	Port of Cromarty Firth handled around 424,000 tonnes of goods in 2021 and Port of Inverness handled 807,000 tonnes in 2022, up 23.2% on the previous year with imports up 27.3% and exports up 12.1%. Imports handled included fuel, packaged timber, aggregates and logs. The Port imported in excess of 160,000 tonnes of logs. Exports included Sterling Board, woodchips, wood pellets and scrap metal.
Air	In 2022 3,726 tonnes of freight was carried via Inverness Airport (source: Scottish Transport Statistics 2022). The region is served with existing freight and commercial infrastructure that can support the freeport with imports and exports. However, there are future developments planned to improve the existing connections. The region also has daily links to Europe via Amsterdam and major English Airports.

Export support services

Inverness Chamber of Commerce (ICC) is a key organisation in supporting ICFGF on the trade journey. The ICC provides international trade services that are designed to support companies with overseas growth. The ICC work with companies of all sizes and across all sectors to support their trade ambitions. ICC offers a number of different support services including:

International Training: ICC offer varying training packages to ensure that businesses are equipped with the knowledge and skills to upskills their team and remain compliant. The training packages are all bespoke and designed to fit individual business requirements. The topics covered include; understanding tariff classification & commodity codes, export documentation & shipping documents, Incoterms 2020, rules of origin, customs declarations, trading with the EU and customs special procedures.

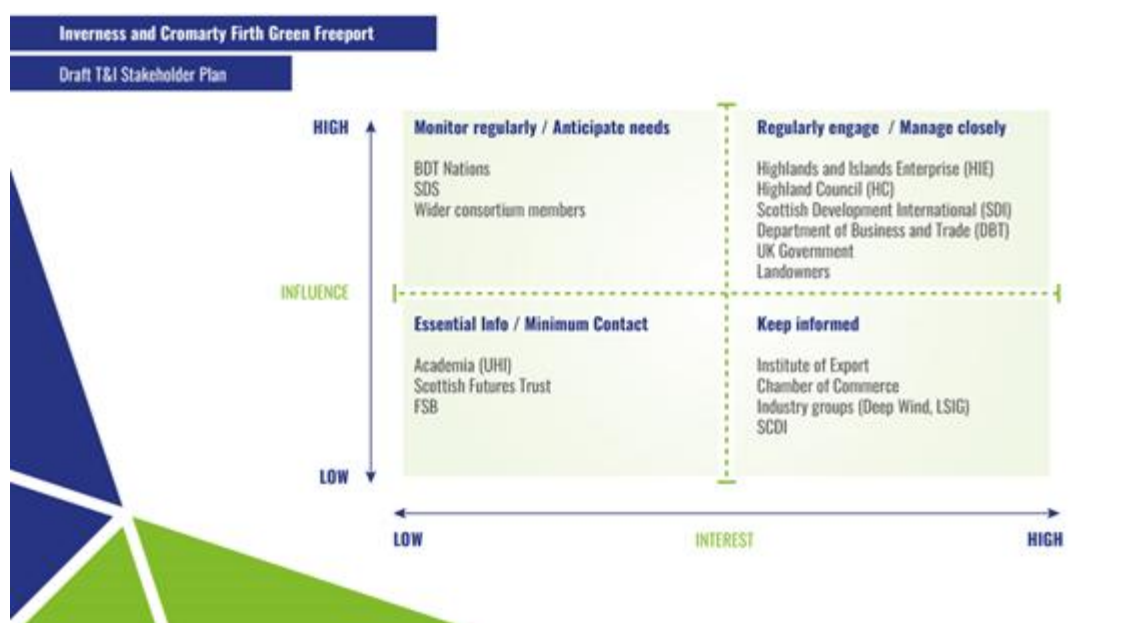
Technical advice: If the business have a specific query, such as the steps to take to export a product to France, ICC can provide the list of everything the business will need to do, from all the paperwork to compliance aspects.

Export Documentation: ICC is an accredited Issuing Body through British Chambers of Commerce to deliver export documentation within the Highlands & Islands region. ICC has a team of officers who make sure that goods reach their destination, avoiding costly delays and ensuring prompt customs clearance. ICC offer support on Certificates of Origin, EUR1 Movement Certificates and document certification.

Customs Declaration: A specialist in Customs Declaration, ICC is an accredited customs broker through Chamber Customs. It is the only customs broker in the country to offer a ‘one-stop-shop’ with direct links to all sea, air, rail and road ports and terminals in the UK. To help import goods into UK successfully without any costly delays, one of the key details ICC normally require is a GB EORI number for tax and customs purposes, as well as a UK base address.

Trade Missions: As part of a wider programme supported by the Scottish Government and Scottish Chambers of Commerce, ICC host Trade Missions. These missions are designed to be a platform for businesses to explore new markets especially for those at the early stages of exporting. During these mission ICC host a range of workshops which provide an overview of the market. These missions are cross-sector missions open to any Scottish business with a turnover less than £7million. They therefore cover quite a broad scope, but this is the starting point for those interested in taking the next steps towards doing business in a new market.

7. Stakeholder Mapping



Communications and Engagement for the Freeport will be led by the Communications and Engagement working group consisting of representatives of the key landowners.

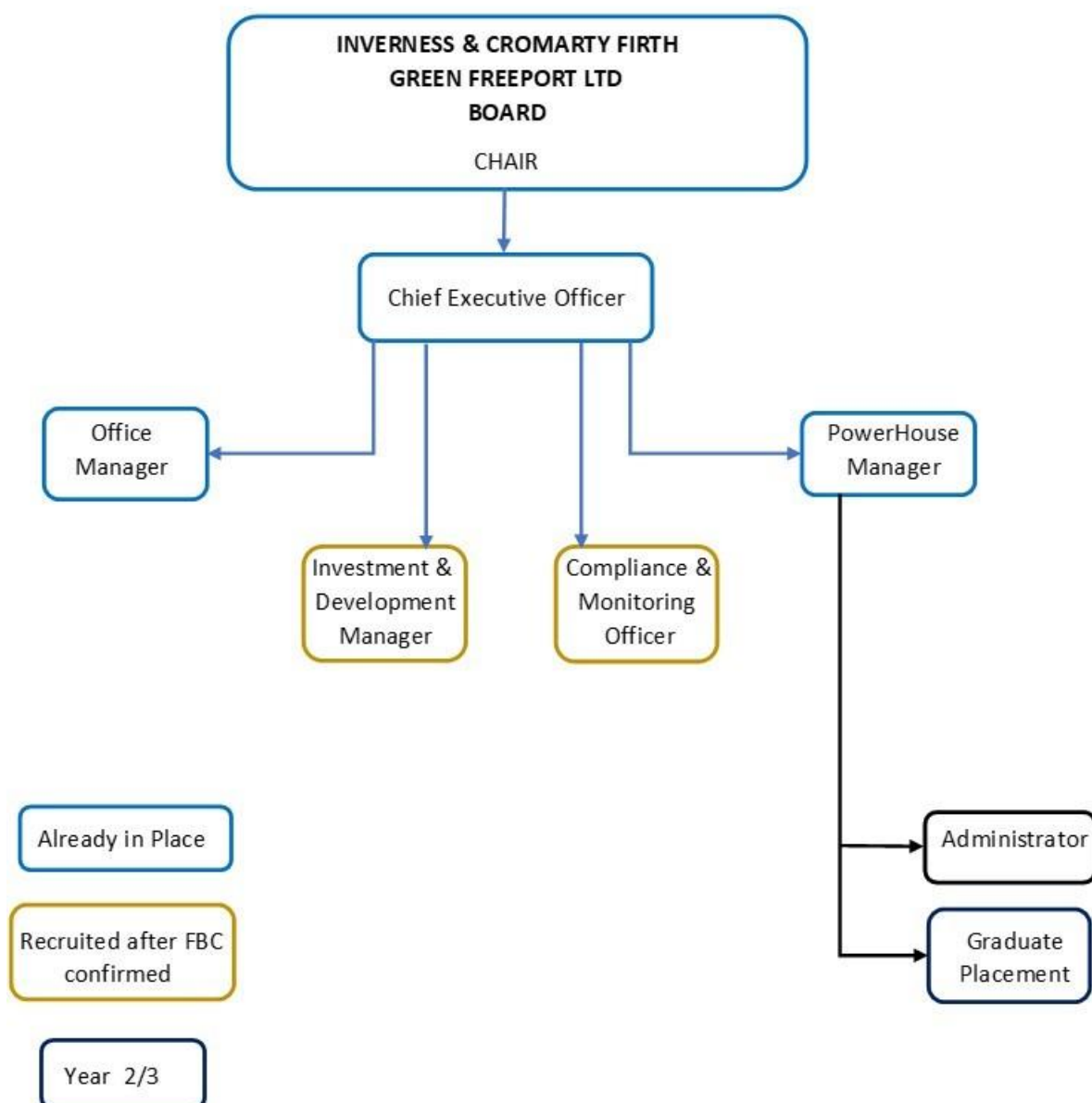
8. Governance and Resourcing

Overall responsibility for delivery of the Green Freeport Trade and Investment strategy and associated outcomes will ultimately sit with the CEO and the Board.

Implementation and delivery will be led by a dedicated Trade, Investment & Development Manager, who will report directly to the CEO. It is proposed that the current trade & investment network (which includes the DBT Green Freeports representatives, SDI and HIE representatives) will continue to operate in a support capacity.

On order to ensure compliance with the delivery of ICFGF objectives all landowners have been required to enter into Tax Site Delivery Agreements (TSDA) with ICFGF. The TSDAs specifically tie landowners to the delivery of the freeport objectives but also policies such as fair work.

ORGANISATIONAL CHART



9. Monitoring and Evaluation

Monitoring and evaluation requirements have been passed down from UK and Scottish Governments to ICFGF. M&E for Trade and Investment is broken into three categories, investment enquires, FDI and Trade. Monitoring and reporting on these measures will be the role of the proposed compliance and monitoring officer however it will require a multiuser approach to deliver on given the scale of ICFGF, number of businesses participating and number of Government bodies supporting.

Investment Enquires	Number of investment enquiries that Freeports are receiving for the tax sites
FDI	Foreign investment (£)
	GVA expected from FDI

	New jobs anticipated
	Salary expected
	R&D budget
Trade	Type of trading activity - Exporting (Y/N)
	Type of trading activity - Export processing (Y/N)
	Type of trading activity - Import (Y/N)
	Type of trading activity - Import processing (Y/N)
	Type of trading activity - Storage (Y/N)
	Type of trading activity - Re-exporting (Y/N)
	Value of trading activity - Imports (£)
	Value of trading activity - Exports (£)

Annex L – Skills plan

1. Introduction

1.1 *The ambition*

The Inverness & Cromarty Firth Green Freeport (ICFGF) has brought together many public and private partners in the Highlands, all with a shared commitment to create lasting change for the region.

The recent census results have confirmed that the Highlands continue to experience a significant decline in working age population (3.7% over the last 10 years). The recent census results have confirmed that the Highlands continue to experience a significant decline in working age population (3.7% over the last 10 years). It is vital that this is addressed for the future prosperity of our region. Action, now, is essential if we are to provide the scale of opportunity needed to provide young people, in significant numbers, with the confidence choose to live, study, train and work here, and in doing so proactively address, and indeed reverse, this continuing trend.

The drive towards a greener energy system and the creation of significant offshore wind generation capacity presents a significant opportunity to do so, by creating long-term well-paid employment (careers, not jobs) and stronger communities. This will in turn allow us to retain the younger generation who have traditionally left the area for education and employment, and to attract new students, apprentices, and workers to reverse the demographic trend.

The ambition is founded on robust analysis of existing and potential assets, and on evidence from industry. The ambition includes:

- A strong package of 550 hectares of development land for inclusion as tax sites.
- The creation of 18,300 jobs for the UK, 11,300 of which would be in the Highlands including a target of 5% of all roles as Apprenticeships. These figures focus on jobs created through the delivery of the proposed tax sites. With broader initiatives in the area connected with the growth in green energy, the levels of job creation could potentially attract further long-term jobs to the Highlands.³⁴
- The attraction of over £3bn in investment in green energy projects.

To ensure we convert this opportunity, we have developed tailored solutions which will deploy Green Freeport levers, including a dedicated fund – the ICFGF skills and Innovation fund, whereby we will recycle a portion of employer NICs savings into initiatives that address talent attraction, training needs and skills development.

This skills plan has been designed with the needs of businesses and residents of the ICFGF area and wider Highland and Moray area, responding to the changing nature of our economy and providing a pipeline of talent to meet future job opportunities.

1.2 *The Importance of Skills*

If the region is to capture the potential value of the ICFGF, and if the benefits are to be distributed, then there must be the right supply of skills in terms of volume and skills mix. People must also be able to access the learning and skills development they need to benefit from the opportunities. To do this we need a local/regional skills infrastructure that has a focus on the regional economy.

³⁴ These estimates include all operational jobs on tax sites, construction employment, their indirect supply chain impacts as well as the induced impacts from the spending of wages and salaries in the wider economy

Green Freeports are intended to support a Just Transition and typically support businesses focused, or working on, decarbonisation. Re-skilling those currently working in carbon-intense industries, such as oil & gas, and upskilling young people in the region with green skills can help to support Net Zero ambitions and develop sustainable employment in emerging 'green sectors' such as Renewable Energy. The ICFGF can support all six priorities laid out in the Climate Emergency Skills Action Plan if it is successful at influencing the regional labour market.

The development of a successful ICFGF can also help to boost skills development in the region. It can achieve this through the promotion and attraction of investment in the region and into the region's workforce. Leveraging analysis of skills demand and supply and coordinating with or establishing local partnerships that can shape skills provision, will be central to this.

The development of a successful ICFGF will help to boost skills development across the region through the promotion and attraction of investment in the region and into the region's workforce. This will be achieved through:

- Aligning resources and planned activity with [Highland Council's Delivery Plan \(2024-2027\)](#), Workforce for the Future Portfolio.
- Fair Economy for all.
- Leveraging existing regional analysis of skills demand and supply.
- Working closely with UHI to achieve the shared vision outlined within its [Strategic Plan 2030](#) to attract, nurture and retain talent in our communities; supporting innovation, social and economic prosperity through the innovative delivery of flexible lifelong learning focused on employability, skills and research.
- Coordinating with local partnerships that can shape skills provision.
- Investing in skills as part of the overall ICFGF package, using available policy levers and mechanisms (e.g., retained non-domestic rates and contributions from businesses locating on tax sites).³⁵
- Building a workforce development campaign of national scale to create necessary growth in interest in the green energy sector. Working with Highland Council and partners, we will build a strong communications programme to build the profile of this initiative.

These actions come together in the Inverness and Cromarty Firth Ten Point Plan for Skills (Figure 1) which combines current and planned skills activity, driven by existing and new funding from the ICFGF. More details on each priority area can be found in section 4.3.

³⁵ FBC Additional Guidance: Skills Plan', (Freeports Hub)

Figure 24 - The Ten Point Plan for Skills



We know that the Key sectors affected by the ICFGF will be renewable energy, life sciences and marine technology, plus associated supply chains.³⁶ Evidence suggests there is a case for a significant increase in the total numbers of people needed to meet the future ambition of the energy sectors.³⁷ The ICFGF will positively contribute to this increasing trend and bring important skills benefits to the Highland and Moray.

1.3 The Commitment to Fair Work

Skills development and Fair Work will be delivered through a programme of targeted activities and a shared commitment to Fair Work First principles (in particular, promoting and encouraging employers to adopt the Scottish Government Bute House, and Fair Work First agreements).

We have included several commitments as requirements of Tax Site Delivery Agreements (TSDAs), which are described in detail in section 4a. TSDAs require landowners, end users or connected employers to contribute financially to the ICFGF skills and innovation fund, enabling the delivery of a ten-point plan for skills that will ensure that as many local people as possible benefit from the skills and employment opportunities the ICFGF will create. In addition, the ICFGF Board, in partnership with Forth Green Freeport has developed a Fair Work Charter. The charter is an important requirement of TSDA, supporting the implementation and management of Fair Work locally.

The Inverness & Cromarty Firth Green Freeport Fair Work Charter (Annex C) is based on the principles of the Scottish Government's Fair Work First guidance and the Fair Work Convention's Fair Work Framework, with all the various principles, criteria and best practice captured in 5 clear commitment areas. The charter recognises that not everyone is able to meet all criteria at once and therefore allows

³⁶ Inner Moray Firth energy skills: Market demand and displacement assessment by SQW

³⁷ Offshore Energy People and Skills Intelligence Report – Scotland by Opergy Group

for businesses to map out their journey to always consider Fair Work First, ultimately addressing deprivation through the creation of fair, high value jobs, building on the good practices that are already happening in workplaces and widen these out.

Given that all tax site landowners and end users will sign up to the charter, it is designed to cater for all sizes of companies, from start-up SMEs to large multi-nationals operating within the tax sites, providing the flexibility to be applied, hence the distinction between ‘aspiring’, ‘achieving’ and ‘excelling’.

We are confident that the Charter is not viewed by our stakeholders to be a burden, but as an opportunity to work with ICFGF to address deprivation through the creation of fair, high value jobs.

2. Responsibilities & Governance

2.1 Governance & Accountability

Skills and Fair Work are foundations of the Green Freeport ambitions, and the strategic case sets out the skills we expect will be required to support the economic development which Green Freeport status will unlock. ICFGF Ltd. has overall accountability for the delivery of the Green Freeport proposal as set out in the FBC including skills, workforce development and upholding the Fair Work principles across the tax and customs sites. Further details on full governance arrangements are set out in Section 5.0 of the FBC Management Case.

Given the importance of skills, ICFGF Ltd has established a Fair Work and Skills Board subgroup, known as the PowerHouse Advisory Panel, which will advise on the development and delivery of the both the Fair Work Charter and Skills Plan, advising the Board on skills related investments and compliance with the Fair Work Charter.

The ICFGF Board will determine the guidance under which any private sector funds are distributed to support skills development. If required, any specific award decisions will be deferred to the main Board. There will be commonality of members in both the Board and Subgroup through the CEO acting as a skills champion.

The PowerHouse is the brand we are using to promote the function responsible for the Green Freeport’s Fair Work and Skills delivery. The PowerHouse Manager is a member of the core ICFGF team and integral to the effectiveness of our governance arrangements. This role has responsibilities for day to-day oversight and monitoring of Fair Work and Skills. Financial activity is an outsourced function and will be monitored by the ICFGF Board. The RACI Table (responsible, accountable, consulted, and informed) below sets out the range of responsibilities within ICFGF board, sub committees and key roles:

Table 77 – Skills RACI table

	ICFGF Chief Executive	ICFGF Board	PowerHouse Advisory Board	Accountable Body	PowerHouse Working Group	PowerHouse Manager	Compliance and Monitoring Manager
Overall delivery of skills plan	Accountable	Informed	Consulted	Informed	Responsible	Responsible	Informed
Securing NIC skills funds	Accountable	Consulted	Informed	Consulted	Informed	Responsible	Responsible
Allocation of NIC funds	Accountable	Consulted	Consulted	Informed	Consulted	Responsible	Responsible

Monitoring skills projects	Accountable	Informed	Consulted	Informed	Responsible	Responsible	Responsible

2.2 Resourcing Fair Work and Skills

In addition to the PowerHouse Manager several other roles are envisaged. We are likely to recruit a compliance and monitoring manager, who will assume some of the responsibilities of the PowerHouse Manager in relation to monitoring and reporting. The potential for two more resources, a graduate intern and administrator are accounted for in future years. Their roles will be focussed on Fair Work and Skills Plan delivery and costed into the Skills Plan. Other roles that will support Fair Work and Skills but have wider responsibilities will be part of our suite of outsourced services which includes HR, Finance, IT, Media, Legal. Full details on staffing and structure, including an organisational chart, can be found in Section 5.0 of the FBC Management Case.

As a means of delivering longer-term and enduring outcomes for the Highland economy and communities, the local retention of some of the incremental Non-Domestic Rates generated on Green Freeport Tax Sites will be one of the most valuable elements of the Green Freeports package. Such a revenue stream will provide a significant opportunity to facilitate further transformational investment in skills, infrastructure, decarbonisation initiatives and innovation, especially if we are able to ‘join up’ the funding with other sources – public and private. Although a private sector generated skills fund, we will appraise which projects should receive the retained NIC funding applying Green Book principles of additionality, value for money, displacement, leverage, and viability.

Led by The PowerHouse Manager, The Powerhouse Advisory Panel has membership from the board, offshore wind consortia, academic providers, and developers. Within the PowerHouse Working Group, there are representatives from businesses already offering training and agencies supporting employment. The ten-point plan for skills contains more details of the delivery lead, supporting partners and resources. Figure 25 sets out The PowerHouse vision and purpose and how this will be resourced.

Figure 25 - Resourcing the Powerhouse



2.3 Representation on related bodies.

Recognising that the Green Freeport is only one entity working within an ecosystem around skills, employment and growth, the ICFGF has established formal relationships with key stakeholders, partners and existing regional/local strategic and delivery bodies.

The ICFGF Board had representation from Highland Council, the Accountable Body, the University of the Highlands and Islands (UHI), a tertiary institution, offering further and higher education and research, serving 36,000 students as well as Highlands and Islands Enterprise (HIE).

It is proposed that The PowerHouse Manager will join the Highland Employability Partnership (HEP), which supports the implementation of local and national employability policy, enabling the delivery of a range of employability services to an all-age client group, with a focus on those who have particular barriers to employment. With all the key delivery leads of the skills plan also members of the HEP, this existing forum provides an effective way for ICFGF to work efficiently.

With an ambitious programme of training activity to co-deliver and fund, ICFGF is exploring a service-level agreement with Skills Development Scotland (SDS), the Scottish Government's national skills agency who have experience, resources, and systems already in place and has offered a range of services to support our operations.

There is already a strong partnership in place with SDS coordinating, on behalf of the ICFGF, the development of the Skills Plan. Wider partnerships are also being explored, with interest in ICFGF staff joining other key bodies such as the Developing the Young Workforce Board. We are aware of potential conflicts of interests so will agree our commissioning model and framework of providers before any further appointments.

3. Skills Demand & Supply

3. 1 Strategic context

Figure 26 demonstrates the wide range of policies, strategies and frameworks that form the context to the ICFGF. Some of these are specific to energy and skills, others are broader, for example the National Strategy for Economic Transformation (NSET). General economic strategies such as NSET at the national level, and Highlands and Islands Enterprise's current strategy, interlink with those specific to the energy sector. For example, the Climate Emergency Skills Action Plan supports key objectives in NSET relating to upskilling the population to fit with emerging industries.

Figure 26 - Scotland's energy policy context



Evidence on the opportunity for Inverness and the Cromarty Firth and the importance of skills development that could result from the ICFGF are also considered following the section.

3.2 Policy context

This section sets out, in more detail, the ambitions and skills implications of some of the key policy documents outlined in highlighting in particular the role of people and skills.

Scotland's National Strategy for Economic Transformation³⁸ (NSET), published in 2022, sets out the Scottish Government's plan to improve socio-economic conditions in Scotland by 2032. The Strategy seeks to make Scotland a more 'successful' country, increasing the number of new businesses and capacity for upscaling of current businesses.

NSET notes the importance of skills in raising productivity and achieving economic prosperity and that "the just transition to net zero offers Scotland a particular opportunity building on our historic expertise in energy, our engineering skills and reputation."

The ICFGF has the potential both to contribute to the objectives of NSET, and benefit from the focus on net zero and the drive to increase market opportunities including in its supply chain.

The Scottish Government's Shaping Scotland's Economy: Inward Investment Plan,³⁹ published in 2020, is a strategic initiative aimed at enhancing economic growth and attracting inward investment. The Plan focuses on fostering innovation, creating new green jobs, and promoting inclusive growth within communities. The objectives of this plan include boosting economic development, supporting Fair Work First practices, and harnessing the potential of green industries to drive sustainable growth.

³⁸ Scottish Government (2022) Scotland's National Strategy for Economic Transformation, available online:

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

³⁹ Scottish Government (2022) Shaping Scotland's economy: inward investment plan, available online:

<https://www.gov.scot/publications/shaping-scotlands-economy-scotlands-inward-investment-plan/documents/>

By targeting inward investment into Scotland's renewable energy sector, the ICFCG sits firmly within the strategy, creating an attractive environment to potential investors.

The Highlands and Islands Strategy 2023-2028⁴⁰, outlines HIE's overarching objectives for the region, situated within which are the regional transformational opportunities which they have identified. The strategy highlights some of the skills challenges facing the region, in particular noting the tight labour market which is driven by a declining working age population and higher levels of economic inactivity as well as persisting labour and skills shortages. It notes that addressing some of these issues will require talent attraction, upskilling and reskilling.

'People' is one of the pillars in the strategy and sets out outcomes around having a skills system which is more aligned to regional priorities and improvement in labour market and skills availability.

The Climate Emergency Skills Action Plan (CESAP)⁴¹ recognises the importance of regional growth and is committed to supporting that. The Scottish Government has already invested around £3 billion to support the CESAP's objectives, and targets include producing enough renewable energy to meet 50% of national demand for electricity, heating, and transport, and ensuring 50% of the housing stock in Scotland is heated by zero emission systems by 2030.

The CESAP notes that "To meet Scotland's net zero targets in a just transition, there is a need to adapt to the changing demand for skills, not just in sectors with a critical contribution to make to net zero, e.g. energy transition or construction, but across the whole economy." And that this will require "both a skills system and a labour market which are more agile, proactive, responsive and resilient than ever before."

The ICFCG will be an important lever to stimulate the demand for jobs, in particular green and greener jobs, and promote regional growth.

The Scottish Government Climate Change Plan 2018-32 update⁴², published in 2020, is an update to the Scottish Government's 2018 plan under the same name, in context of new commitments to reduce carbon output. The plan details the approach to reshaping and restructuring the economy and energy sector to be capable of delivering these objectives.

The Draft Energy Strategy and Just Transition Plan⁴³, published by the Scottish Government in 2023, sits within wider plans to reach net zero. It specifically targets achieving decarbonisation in an equitable way leading to a 'just transition' for all communities in Scotland. A key aspect of Just Transition is to ensure that renewable energy is accessible and affordable, lowering the price of electricity, which is often more expensive than oil and gas. To achieve this, the plan aims to increase Scotland's production of renewable energy so that it becomes the main energy source in Scotland.

The strategy recognises the availability of relevant skills in areas where the energy industry has a large profile such as the Highlands and Islands. Development of green infrastructure in areas such as this can take advantage of this prevalence of existing skills, supporting the development, while also protecting existing jobs. To support the development of existing skills to fit green infrastructure, the strategy aims to support reskilling and upskilling staff through funding implementation such as an offshore skills passport, which will hold a worker's current energy relevant skills, and those required to fully transition to green energy.

⁴⁰ Highlands and Islands Enterprise (2023) Highlands and Islands Enterprise Strategy 2023-2028, available online: <https://www.hie.co.uk/media/kc5b4yl1/hie-strategy-2023-28-online.pdf>

⁴¹ Skills Development Scotland (2020-2025) Climate Emergency Skills Action Plan, available online:

<https://www.skillsdevelopmentscotland.co.uk/media/w0ulewun/climate-emergency-skills-action-plan-2020-2025.pdf>

⁴² Scottish Government (2020) Securing a green recovery on a path to net zero: climate change plan 2018 – 2023 – update, available online: <https://www.gov.scot/publications/securing-green-recovery-path-net-zero-update-climate-change-plan-20182032/>

⁴³ Scottish Government (2023) Draft Energy Strategy and Just Transition Plan, available online: <https://www.gov.scot/publications/draft-energy-strategy-transition-plan/documents/>

Scotland's Energy Strategy Position Statement⁴⁴, published in 2021, outlines the Scottish Government's short-, medium- and long-term goals for the energy sector in Scotland. It is supported by the values of a whole system approach, inclusive energy transition, and a smarter local energy model.

It sets out how it will support local economies by creating jobs and helping the workforce to retrain and upskill to ensure that local communities and economies reap the opportunities from a just transition to net zero.

Specific objectives relevant to the ICFGF include introducing a framework to support the innovation of green technology, stimulating its commercialisation and exportation, and creating further policy to support the creation of new offshore wind farms.

The North Sea Transition Deal,⁴⁵ published in 2021, is the UK Government's strategy to significantly reduce the output of greenhouse gases from the energy sector by the decommissioning of fossil fuel energy producers and large-scale development of renewable energy in their place. Some direct targets of the deal are to invest up to £16 billion in renewable energy technologies and supporting up to 40,000 direct and indirect supply chain jobs in decarbonising UKCS production and the CCUS and hydrogen sectors.

North Sea Transition Deal: Integrated People and Skills Strategy⁴⁶, published in 2022, is an update on the previous 2021 release, focussing more specifically on the workforce, and ensuring that people are reskilled instead of left behind. Going beyond the scope of the original strategy, this includes further skills and jobs which may be impacted by the transition. There are c.118,000 direct, and indirect offshore gas and oil workers in Scotland with an estimated 90% medium to high transferability of skills.

The Offshore Wind Sector Deal⁴⁷, published in 2020, is a UK Government policy aiming to take advantage of the UK's wealth of offshore wind production and maximise its future potential. This pledges around £0.5 billion in funding to the sector and to increase the export of renewable energy to around £2.6 billion in 2030. The government will invest a further £250 million to improve the UK supply chain of renewable energy.

The Onshore Wind Sector Deal for Scotland, published in September 2023, sets out the ambition for the next phase of onshore wind delivery in Scotland, will support co-ordinated skills information for onshore and offshore wind, and consider overlaps and synergies for investment in skills across both onshore and offshore win.

Floating Offshore Wind **Taskforce: Industry Roadmap 2040**⁴⁸, published in 2023, is Renewable UK's strategy outlining the key phases and steps required to meet floating offshore wind (FLOW) objectives. The roadmap identifies key actors and the actions they should follow for ports and FLOW projects to follow.

3.3 Existing evidence

This section presents an overview of some of the existing research and evidence relating to jobs and skills for the transition to net zero in Scotland.

⁴⁴ Scottish Government (2021) Energy strategy: position statement (2021), available online:

<https://www.gov.scot/publications/scotlands-energy-strategy-position-statement/>

⁴⁵ UK Government (2022) North Sea Transition Deal, available online: <https://www.gov.uk/government/publications/north-sea-transition-deal>

⁴⁶ North Sea Transition Deal People and Skills Strategy, available online: <https://www.offshoreenergypeopleandskills.co.uk/>

⁴⁷ Scottish Government (2022) Shaping Scotland's economy: inward investment Plan, available online:

<https://www.gov.uk/government/publications/offshore-wind-sector-deal/offshore-wind-sector-deal>

⁴⁸ Renewable UK (2023) Floating Offshore Wind Taskforce: Industry Roadmap 2040, available online:

https://cdn.ymaws.com/www.renewableuk.com/resource/resmgr/docs/flow_tf_-_integrated_report_f.pdf

Powering up the Workforce The future of the UK offshore energy workforce⁴⁹, published in 2023, is a report by the Energy Transition Institute presenting a range of workforce outcomes based on the reality of the Scottish and UK Governments meeting their net zero and carbon neutral targets. The level of key investment, and carbon reduction will either see the workforce capacity increase by around 50%, or fall by around 15% by 2030, with either way confirming, or prohibiting Scotland's status as a key player on the international renewable energy market.

The report identifies around 100,000 new workers who will come into renewable energy jobs between 2020 and 2030, and most of the offshore oil and gas sector who have transferrable skills. To cope with this, there must be adequate investment for up/reskilling the workers, and also sufficient jobs to offer oil and gas workers career changes.

The Skills for a Jobs Transition⁵⁰, published in 2023, is a report by the Future Energy Skills Programme detailing the challenges and opportunities facing the UK in reskilling the energy workforce to cope with the transition to renewable energy. Some of the challenges raised include the ageing demography of the current workforce, and potential complexity involved in reskilling, as well as the lack of appropriate younger workforce, and those going into further STEM education.

Conversely, with sufficient, and informed funding, the country can upskill this workforce, and create a new young workforce ready to take over. The key metrics used to overcome these challenges will be the amount of renewable energy produced, and the number of renewable energy jobs in the UK. The ICFGF will help in supporting the country overcoming both of these significant challenges.

Building the Net Zero Energy Workforce⁵¹, published in 2023, is the National Grid's research report on upskilling the young workforce to meet staffing demands in the transition to renewable energy. The report indicates that 400,000 new jobs in renewable energy are required before 2050, as this is the workforce required to meet the UK Government's target of net zero by the same year.

This also advocates for a whole country approach to capitalise on the different skills and needs of each area, with c.48,000 (12.2%) of the jobs being required in Scotland. In this sense, the ICFGF will fill a large portion of these jobs required and help the country to take advantage of Scotland's natural resources for wind power.

Scottish Renewables Call for Evidence on Just Transition – In 2023, Scottish Renewables submitted a call for evidence on Just Transition for the North East and Moray to the Economy and Fair Work Committee⁵². This recognises the potential which offshore wind in the northeast and Moray has in relation to net zero objectives. It highlights that ports in the area require strong investment, potentially up to £4 billion, to support this. Scottish Renewables also suggest that there needs to be a greater evidence base regarding the skills available to fill renewable energy jobs from the transition, using examples around the northeast and Moray of vast shortages in skills such as welding.

Robert Gordon University: Making the Switch⁵³, published in 2022, is a report by Robert Gordon University, which investigates potential scenarios and impacts of the coming transition to renewable energy, and how to capitalise on these. The main finding indicates that the transition presents the opportunity for north-east Scotland to become a global hub for renewable energy, with around £17 billion in investment before 2030. Further measures to realise this potential include a change in focus

⁴⁹ RGU Energy Transition Institute (2023) Powering up the Workforce, available online: <https://www.rgueti.com/wp-content/uploads/2023/09/powering-up-the-workforce.pdf>

⁵⁰ Future Energy Skills Programme (2023) The Skills for a Jobs Transition, available online: <https://www.ardenstrategies.com/wp-content/uploads/2023/07/Future-Energy-Skills-The-Skills-for-a-Jobs-Transition-Sml.pdf>

⁵¹ National Grid (2020) Building the Net Zero Energy Workforce, available online: <https://www.nationalgrid.com/document/126256/download>

⁵² Scottish Renewables (2023) Scottish Renewables' submission to the Economy and Fair Work Committee call for evidence on Just Transition for the North East and Moray, available online: <https://www.scottishrenewables.com/publications/1392-sr-response-economy-and-fair-work-committee-call-for-evidence-on-just-transition-for-the-north-east-and-moray>

⁵³ RGU Energy Transition Institute (2022) Making the Switch, available online: <https://www.rgueti.com/wp-content/uploads/2022/06/Making-the-switch-images.pdf>

of the offshore workforce, from operating jobs to capital jobs, as well as a sixfold increase in the proportion of renewable energy jobs compared to oil and gas.

Conversely, if development and funding fail to meet these targets, the report reveals that the region could fall behind competitors, and the opportunity will be missed. The ICFGF therefore presents a significant boost to achieving some of these targets, providing energy, jobs, and funding in a region that has the potential to be transformed economically with benefits for generations to come.

UHI Strategy 2030. Published in 2023 clearly outlines its role as an anchor institution within the region, with a mission to have a transformational impact on the people, communities, and economy of the region in doing so becoming: a destination of choice for learners, responding to the regional and industry needs and developing national and global, expanding relevant national and global collaborations.'

4. Skills Demand and Supply

4. 1 Headline findings



- Highland is more deprived than Moray with 12% in the most deprived quintile compared to 4%



- The population of Highland and Moray has increased in recent years, however, it is forecast to decrease in contrast to Scotland's population as a whole by approximately 3%.



- The dependency ratio for both Highland and Moray is higher than Scotland as a whole as the working age population is lower than the national average (61% compared to 64%)



- The employment rate in relevant sectors in Highland decreased significantly from 81% to 72% from 2018 to 2022, with little signs of recovery to pre-pandemic levels – in contrast to Moray.



- Economic inactivity has increased in Moray from 19% to 25%, in Highland from 19% to 21% and in Scotland from 23% to 24% 2011 to 2021.

- Highland has a lower student population (9% compared to 25%) and a higher retired population than Moray (30% compared to 19%).

- Median annual wage is lower in Moray (c.£27k) and slightly lower in Highland (c.£29k) than the national average wage (c.£30k).

- Highland and Moray have a higher rate of 16-19 year olds in employment than Scotland as a whole (24% and 22% compared to 18%) whereas Scotland has a higher rate in education (73% compared to 68%).

This section sets out headline data for the availability and skill levels of the local workforce in Highland and Moray. This covers analysis of the labour market, a socio-economic assessment, the identification and assessment of target groups, the potential impact of a Green Freeport, and scenarios and assumptions of the labour demand and supply equilibrium in the region.

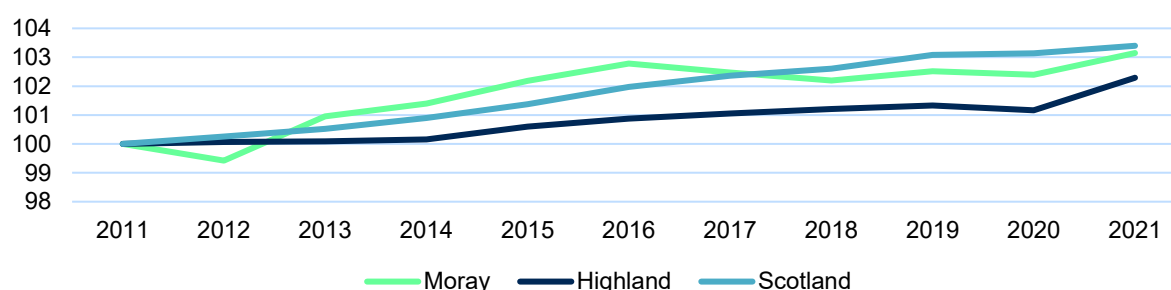
4. 2 Labour market

Population

The population of Highland and Moray has increased in recent years. However, in contrast to the national three percent increase, Highland's population has grown at a significantly slower rate – two percent overall, though it grew by one percent between 2020 and 2021. Conversely, Moray's population has experienced similar growth to Scotland overall.

The Highlands have experienced historic demographic challenges in terms of depopulation, particularly of younger and working aged people⁵⁴. The Scottish Government anticipate that population growth in the Highland local authority will continue to trend below the national average to 2028⁵⁵. This may have implications for the Green Freeport's access to sufficient skilled labour and may result in high competition for skilled workers or a labour supply shortage.

Figure 27 - Index population by local authority (2011-2021)



Source: NRS Small Area Population Estimates

The average age of the population in Highland and Moray has been increasing for a number of years.⁵⁶ As shown in Table 78 - Population by age and local authority in 2021, Moray and Highland also have a lower working age population than the national average. Consequently, the dependency ratio for both Highland and Moray is higher than nationally.

A significant factor in this is the ongoing number of younger people leaving the local authorities in search of educational and employment opportunities elsewhere. Without targeted intervention this depopulation factor may have similar negative implications for the Green Freeport's access to a skilled labour force. However, the ICFGF has the potential to change this.

Table 78 - Population by age and local authority in 2021

Age	Moray	Highland	Moray %	Highland %	Scotland %
0-15	15,941	38,130	17%	16%	17%
16-64	58,935	144,706	61%	61%	64%
65+	21,534	55,224	22%	23%	20%
All ages	96,410	238,060	100%	100%	100%

Source: NRS Small Area Population Estimates

National population growth is expected to grow slowly before stagnating during the period 2024 to 2042 whereas both Highland and Moray are expected to experience a significant population decrease.⁵⁷

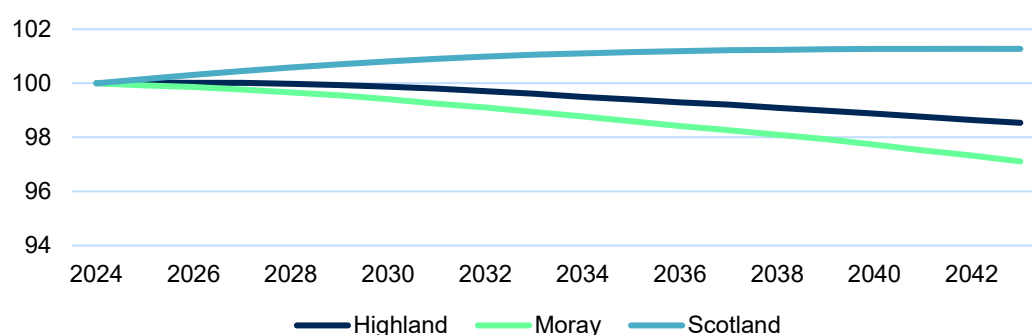
⁵⁴ Scottish Government (2021) Convention of the Highlands and Islands: meeting papers October 2020, available online: <https://www.gov.scot/publications/convention-of-the-highlands-and-islands-meeting-papers-october-2020-2/>

⁵⁵ Scottish Government (2024) Supporting and enabling sustainable communities: action plan to address de-population, available online: <https://www.gov.scot/publications/supporting-enabling-sustainable-communities-action-plan-address-depopulation/documents/>

⁵⁶ Highlands and Islands Enterprise (2019) Highlands and Islands area profiles 2019, available online: <https://www.hie.co.uk/research-and-reports/our-reports/2019/november/21/highlands-and-islands-area-profiles-2019/>

⁵⁷ However, it is worth noting that these forecast trends appear to contrast with the historical trends to date as discussed in relation to Table 1.1.

Figure 28 - Index population projections by local authority (2024-2042)



Source: NRS Sub-National Population Projections

The population of Highland local authority are more likely to have no qualifications than Moray and Scotland. This may reflect the type of industries that are more prevalent in Highland than Moray and Scotland and the qualification requirements of these industries whereby 'on the job' learning may be more common, such as agriculture, forestry & fishing, and accommodation & food services.

Importantly, for the Green Freeport's access to a skilled workforce, Highland and Moray have the same percentage of their populations qualified to RQF4+ and Highland has more RQF3+ qualified people, proportionally, than Moray and Scotland.

Table 79- Population qualification levels by local authority (2022)

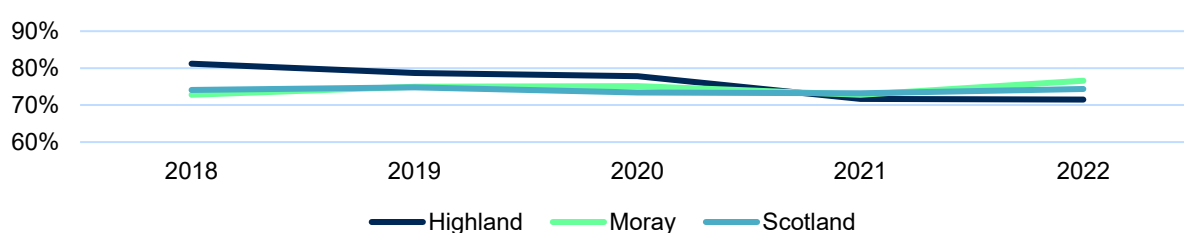
	Highland	Moray	Scotland
RQF4+	48%	48%	48%
RQF3+	72%	70%	70%
RQF2+	87%	92%	92%
RQF1+	87%	93%	93%
Other qualifications (RQF)	5%	2%	2%
No qualifications (RQF)	8%	5%	5%

Source: NOMIS Annual Population Survey

Employment

The employment rate in both Highland and Moray has been above the Scottish average, however since 2020, Highland employment rate has decreased but has remained largely constant in Moray. The COVID-19 pandemic may have adversely effected employment in Scotland. However, the fall in employment rates has been disproportionately felt in Highland with employment falling by around 6% from 2020 to 2021, versus only 2% in Moray. The reliance on Tourism and Hospitality in the Highlands may be a factor here. Statistical and anecdotal evidence indicates that these two sectors have faced challenges in the post-pandemic recovery.

Figure 29 - Employment rate by local authority (2018-2022)



Source: NOMIS Annual Population Survey

The Health sector is the largest employer in both Highland and Moray (15% and 16% respectively), however, Manufacturing is the joint largest employer in Moray (15%) whilst the second largest employer in Highland is Accommodation and Food Services (12%) as shown in Table 80.

The pattern of employment across the two local authorities is largely similar for all other sectors. If Manufacturing companies' set-up operations within the Green Freeport area, then they may have immediate access to a skilled and experienced Manufacturing workforce in Moray given that 15% of those employed in the local authority already work within this industry.

Table 80 - Employment by broad industrial group and local authority (2022)

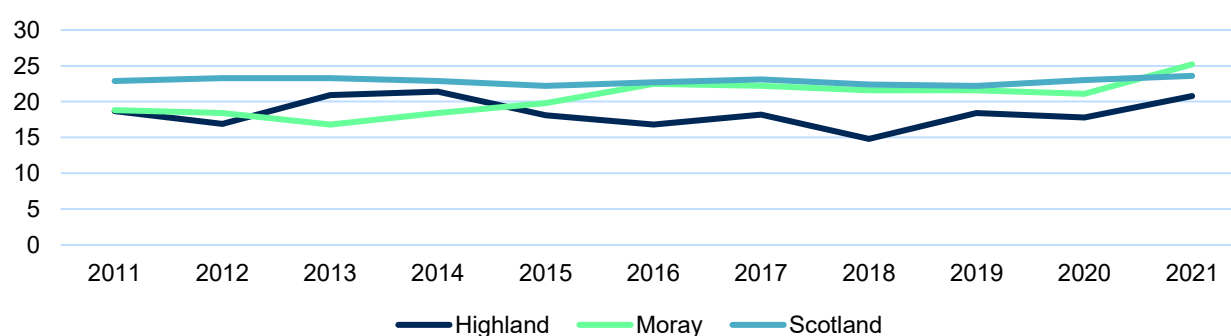
Industry	Highland	Highland %	Moray	Moray %
1 : Agriculture, forestry & fishing (A)	14,000	11%	2,500	6%
2 : Mining, quarrying & utilities (B,D and E)	3,500	3%	500	1%
3 : Manufacturing (C)	6,000	5%	6,000	15%
4 : Construction (F)	9,000	7%	2,500	6%
5 : Motor trades (Part G)	2,500	2%	900	2%
6 : Wholesale (Part G)	2,500	2%	700	2%
7 : Retail (Part G)	12,000	9%	4,000	10%
8 : Transport & storage (inc. postal) (H)	5,000	4%	1,500	4%
9 : Accommodation & food services (I)	15,000	12%	3,000	8%
10 : Information & communication (J)	2,500	2%	400	1%
11 : Financial & insurance (K)	900	1%	350	1%
12 : Property (L)	1,500	1%	350	1%
13 : Professional, scientific & technical (M)	6,000	5%	1,500	4%
14 : Business administration & support services (N)	6,000	5%	1,500	4%
15 : Public administration & defence (O)	6,000	5%	2,250	6%
16 : Education (P)	9,000	7%	3,500	9%
17 : Health (Q)	20,000	16%	6,000	15%
18 : Arts, entertainment, recreation & other services (R,S,T and U)	6,000	5%	1,750	4%
Total	127,400	100%	39,200	100%

Source: NOMIS Business Register and Employment Survey 2022

Economic activity

Economic inactivity has increased in Highland, Moray and Scotland over the period 2011 to 2021 as shown by Figure 30. Economic inactivity, as a percentage of 16–64-year-olds, in Highland increased from 19% to 21%, in Moray from 19% to 25%, and in Scotland from 23% to 24%. This indicates that the Highland labour market is performing slightly worse than the national labour market and that the Moray labour market is performing significantly worse.

Figure 30 - Employment by broad industrial group and local authority (2022)



There are significantly more economically inactive people in Highland that want a job than in Moray (22% of economically inactive people in Highland want a job versus 11% in Moray) as shown by Table 81 - Economic inactivity by type and local authority (2022).

There are significantly more economically inactive students in Moray than Highland (25% versus 9%) whereas there are more economically inactive retirees in Highland than in Moray (30% versus 19%). This indicates that Moray may have a more dynamic future labour market given the higher number of students versus retirees which the Green Freeport can benefit from if it can retain graduates within the local authority.

Table 81 - Economic inactivity by type and local authority (2022)

	Highland	Moray	Scotland
Student	9%	25%	23%
Looking after family/home	15%	18%	17%
Temporary sick	8%	5%	3%
Long-term sick	27%	27%	32%
Discouraged	!	!	0%
Retired	30%	19%	15%
Other	9%	7%	10%
Wants a job	22%	11%	20%
Does not want a job	78%	89%	80%

Source: Nomis Annual Population Survey Socio-economic Assessment

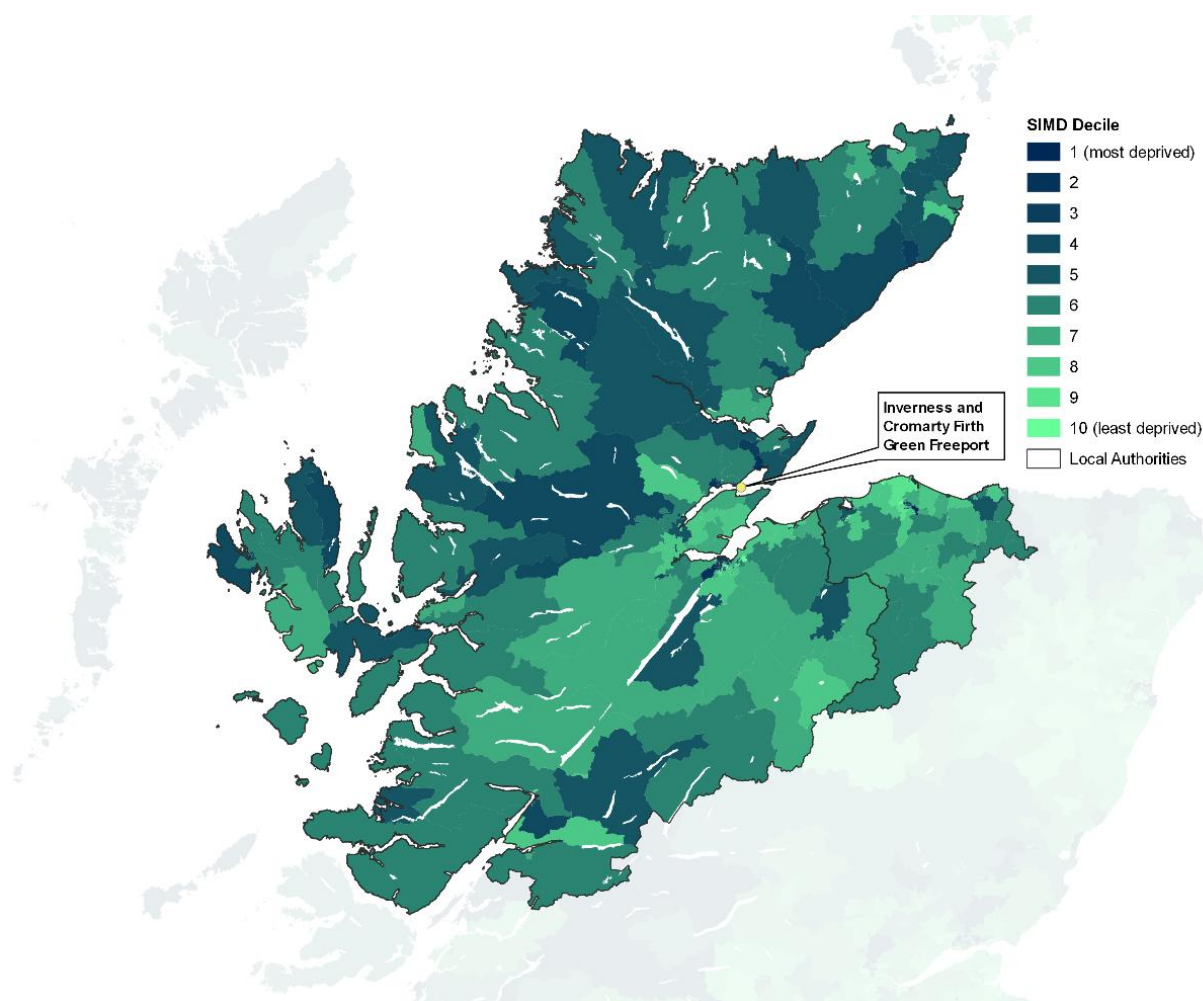
Deprivation

Highland has a higher degree of deprivation than Moray as shown by Figure 31, which illustrates SIMD decile by data zone for Highland and Moray and it highlights the location of the Inverness and Cromarty Firth Green Freeport (ICFGF).⁵⁸

Approximately 12% of Highland data zones are in the most deprived quintile in the country (decile one and two) whereas only 4% of Moray data zones are in these deciles. This is partly due to Highland scoring much higher on the geographical domain because of the remoteness of areas means lack of access to services and employment. The Green Freeport may be able to reduce deprivation in data zones surrounding the Freeport if employment opportunities are provided.

⁵⁸ SIMD looks at the extent to which an area is deprived across seven domains: income, employment, education, health, access to services, crime, and housing.

Figure 31: SIMD decile by Highland and Moray data zone (2020)



Source: Scottish Index of Multiple Deprivation 2020

A breakdown of the percentage of data zones by deprivation decile is shown in Table 82.

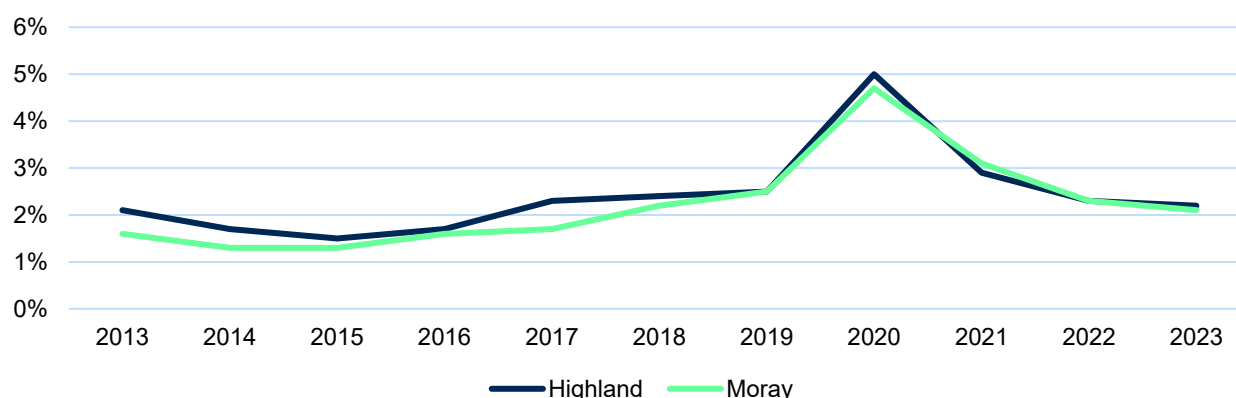
Table 82: Percentage of local authority data zones by SIMD decile (2020)

SIMD decile	1	2	3	4	5	6	8	9	10
Highland	5%	7%	8%	13%	20%	23%	15%	5%	4%
Moray	1%	3%	7%	14%	17%	23%	18%	7%	8%

Claimant count

Levels of claimant count remained consistent in both geographies over the ten-year period between 2013 to 2023 as shown by Figure 32. Following a large rise in claimants during 2020 the percentage of claimants has been decreasing and is now largely like pre-COVID levels. If the Green Freeport increases employment in Highland and Moray, then the claimant count may decrease if those currently claiming join the workforce.

Figure 32: Claimant Count (%) among those aged 16-64

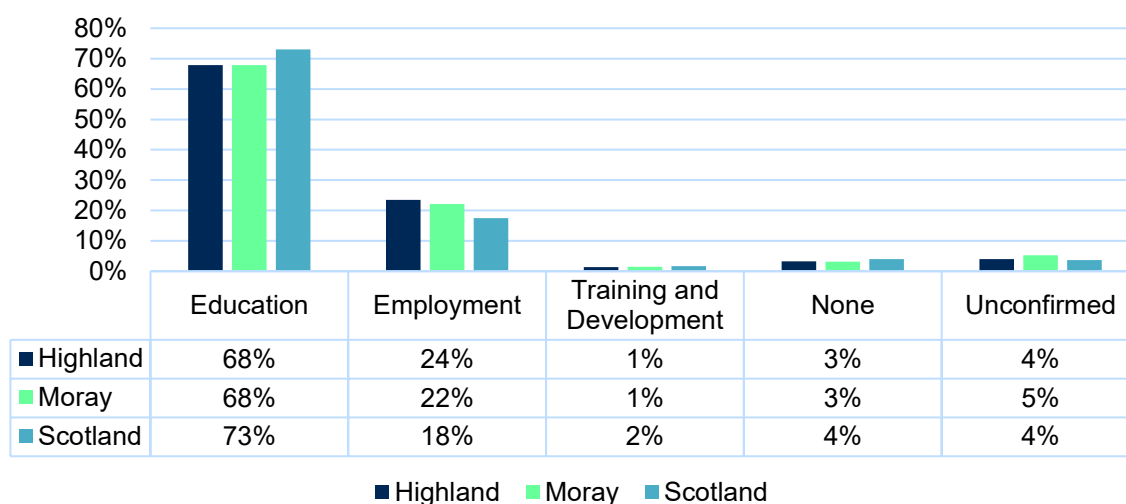


Source: Claimant Count from Department for Work and Pensions

Participation

The rate of participation in education, training, and employment amongst 16-19 years olds in Highland and Moray is slightly higher than the national participation rate. Scotland has a higher rate of 16–19-year-olds in education than Highland and Moray whereas Highland and Moray have a higher rate of 16–19-year-olds in employment than Scotland. This indicates that there are young people in Highland and Moray that could pivot or upskill to join a Green Freeport workforce.

Figure 33: Participation rate amongst 16–19-year-olds by local authority (2022)



Source: Skills Development Scotland

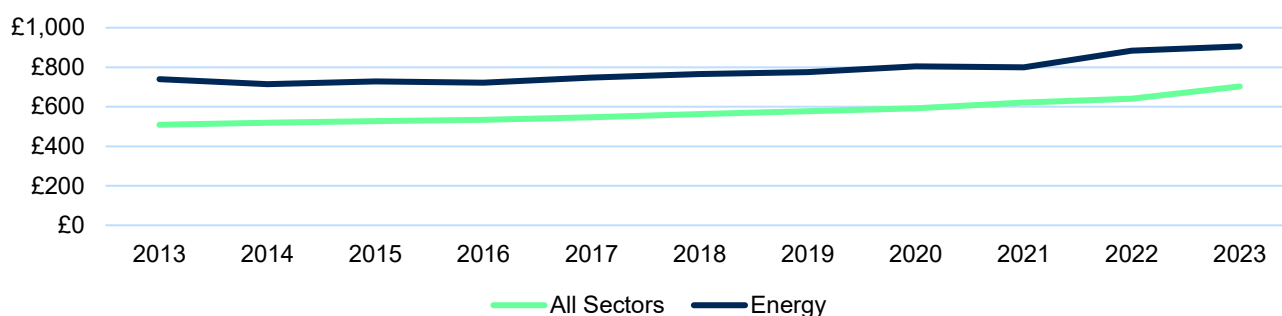
Wages

Energy is a relatively highly paid sector in Scotland⁵⁹. In 2023, average pay for people working in Energy was £905 compared to £703 for employees in all sectors. Figure 34 shows that average pay has increased over the period 2013 to 2023 in Energy (by 22%) and across all sectors (by 38%). Attracting and retaining higher value jobs benefits local and regional economies. If the Green Freeport increases

⁵⁹ As defined by the Scottish Government, the Energy (including Renewables) growth sector comprises: Mining of coal and lignite (SIC 05); Extraction of crude petroleum and natural gas (SIC 06); Mining support service activities (SIC 09); Manufacturing of coke and refined petroleum products (SIC 19); Manufacture of other organic based chemicals (SIC 20.14); Electricity, gas, steam and air conditioning supply (SIC 35); Water collection, treatment and supply (SIC 36); Treatment and disposal of hazardous waste (SIC 38.22); Engineering related scientific and technical consulting activities (SIC 71.12/2); and Environmental consulting activities (SIC 74.90/1).

employment in the Energy sector, then, given the higher wages in this sector, this may increase income across Highland and Moray.

Figure 34: Median weekly gross pay for full-time employees in Scotland: all sectors and Energy (2013-2023)

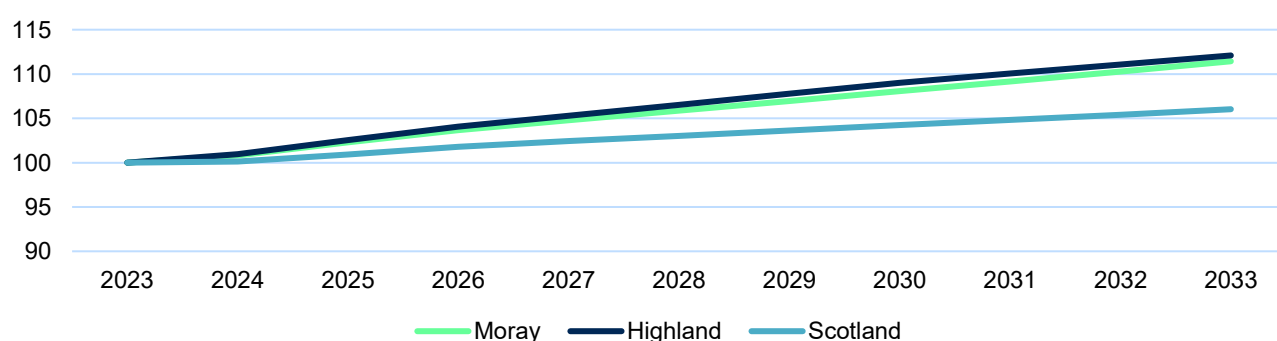


Source: Scottish Government Growth Sector Statistics 2023⁶⁰

GVA

Gross Value Added (GVA) for the Energy sector is forecast to grow significantly between 2023 and 2033 as illustrated by Figure 35. The Figure shows that GVA is forecast to increase by 12% of the base year (2023) in Highland, over the period, and by 11% in Moray. In both cases this is higher than the forecast of 6% for Scotland as a whole. The Green Freeport may add to GVA in Highland and Moray if it can successfully create new employment opportunities through expansion demand thereby generating additional value.

Figure 35: Forecast index GVA in energy industry (2023-2033)



Source: Oxford Economics 2024

4.3 Current and emerging supply of skills

This chapter offers a summary of the education and training supply in Highland and Moray which is relevant to the energy industry. This considers subjects on offer at college and university level, as well as through foundation, graduate, and modern apprenticeships. This chapter considers data from the Scottish Funding Council, Skills Development Scotland, and HESA.

Full details of the current and emerging supply of skills are available with this report in Annex A.

Headline findings

- There is good skills infrastructure in the region. In Highland and Moray, college enrolments on courses of relevance are increasing overall, and are also comprising an increasing proportion of

⁶⁰ See data source for notes including that 2023 data is provisional.

overall enrolments in the area MA starts are also increasing, with UHI receiving one of the largest allocations of MA funding in Scotland.

- UHI is prioritising the inspiration of young people in the region towards careers in key sectors. Funding of over £1.2m has been secured to support a team of 15 working across the UHI region over a three-year period.
- UHI's strengths in research and innovation were recognised in the last Research Excellence Framework (2021) where nearly ¾ of UHI research achieve the top two grades of world leading or internationally excellent.
- The number of Highland domiciled students has stayed largely the same, with the majority of those students still going elsewhere in Scotland as opposed to staying in region to attend UHI, which indicates an ongoing outward migration of young people that needs the kind of opportunity and intervention ICFGF can provide in order to change generational patterns
- Highland domiciled students are largely in line with national averages for students in terms of their profile, destinations, and subjects undertaken at higher education level, slightly less likely than the national average to be in employment upon graduation and to be in professional roles upon graduation.
- However, UHI students diverge significantly from this. UHI enrolments in energy relevant subjects are significantly more even in terms of the full-time/part-time split of students, and there is a much larger gender gap with an overrepresentation of males in these subjects.
- Demand for Further Education has recovered within 1-2 years, and UHI have met the increase in demand, though in 2023/24, further growth in further education is constrained by funded credit allocation. In Higher Education, the recovery has taken longer, with applications now showing signs of recovery going into 2024/25. UHI has demonstrated ability and capacity to grow in response to applicant demand, but growth is dependent on an enabling funding landscape.
- UHI students in energy relevant subjects are condensed into fewer subject areas than the national average, and the average for Highland domiciled students, potentially indicating a lack of provision in these subject areas. UHI students are also more likely to be studying at a lower level, with significantly more enrolments in postgraduate degrees for Scottish students and Highland domiciled students, potentially indicating a lack of provision of postgraduate level energy relevant subjects. These factors combined could be pushing out Highland domiciled students to other universities which provide these courses and be a root cause of the decreasing number of students at the UHI.
- UHI students are less likely to be in professional roles upon graduation, instead going into skilled trades, and sectors such as manufacturing.
- MA starts (19%), and FE College enrolments have increased (7%), since 2019, with the average student age also increasing due to more over 25s enrolling.
- In comparison to the national average, UHI students, in 2022, are significantly more likely to study part time; are less likely to study postgraduate degrees; are on average significantly older; and the gender gap is much more pronounced in UHI enrolments and qualifications.
- Therefore, students in Highland and Moray are studying at a lower SCQF level year on year, and those in higher education are studying at a lower SCQF level than the national average.
- Highland domiciled students are more likely to be enrolled at the UHI than other Scottish students. While the proportion of Highland domiciled UHI students had decreased steadily between 2017-18 and 2019-20, a recent increase, has seen these students comprise over a third of the UHI student body for the previous two years of analysis.

- Modern Apprenticeship enrolments and college enrolments in energy related subjects have increased in the three-year period analysed. Moreover, there has been an increased diversification of college enrolments in terms of age, with more over 20-year-olds now enrolling in energy relevant courses, and more female enrolments.

Assessment of ability to upscale supply

In the 2021/22 academic year, there were a total of 5,949 starts/enrolments on courses and frameworks relevant to the energy industry in Highland and Moray, across apprenticeships and further and higher education. Broken down these are 10 Foundation Apprenticeship, 24 Graduate Apprenticeship, 715 Modern Apprenticeship, 3,300 college starts, and 1,900 University of the Highlands and Islands (UHI) FPE equivalents.⁶¹ There are a further 1,800 Highland domiciled university students who do not attend UHI, but study elsewhere in Scotland instead. This means that around 6,400 students are potential labour market entrants for relevant sectors, versus a current employment figure for energy relevant roles in 2022 of 1,595.

However, achievement/qualifier rates are of an order lower. Further, for college leavers, it is estimated that only around half enter employment based on Scotland level data.⁶² In addition, whilst 80% of university qualifiers enter either part- of full-time employment in some way, only a small proportion enter relevant sectors – around 9% enter manufacturing, and 4% enter Electricity, gas, steam and air conditioning supply, for example. Also, a smaller proportion of UHI qualifiers enter professional, associate professional and technical, and skilled trade occupations than nationally. This suggests that lack of real work experience may be a barrier to role entry for university students in the area. UHI seeks to address this with its commitment within its Strategy 2030 to provide work placement experience for all full time, higher education students.

While recent research indicates that more students are moving for work, post-graduation, almost half of graduates (47%) remain in the same city in which they studied.⁶³ It is therefore likely that a high percentage of Highland domiciled students who move away to study, will not return to the Highland and Moray for jobs. These students are then lost and will not contribute to the energy sector in Highland and Moray.

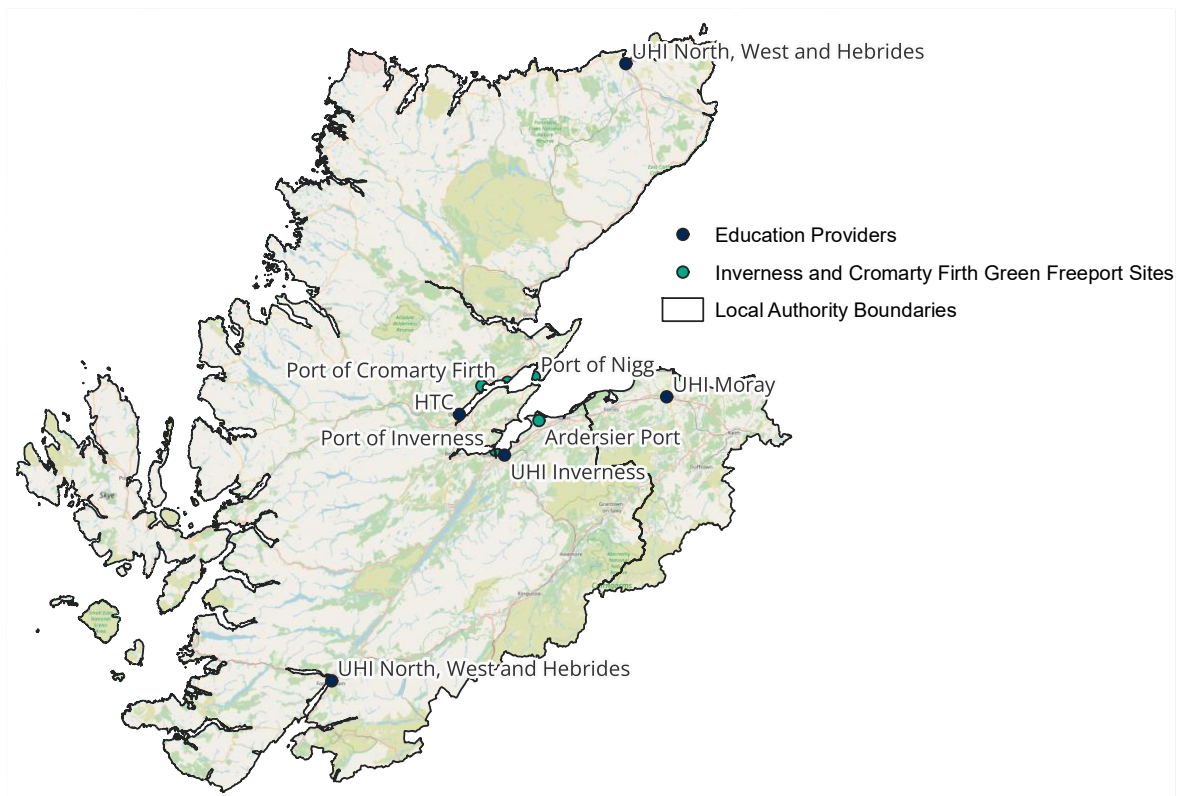
Current qualifiers in energy relevant subjects are not sufficient to fill the roles required for the energy sector in Highland and Moray. These are decreasing at the University of the Highlands and Islands, while Highland domiciled students are stable, suggesting these students are studying elsewhere, where many of them will stay. Attention is required to address this disparity, and increase the provision of education in energy relevant frameworks in Highland and Moray, or attract Highland domiciled students back into the area upon graduation at a different institution.

⁶¹ University and college data are rounded to the nearest 5, and some apprenticeship data is suppressed, therefore the total may be slightly different.

⁶² Scottish Funding Council (2023) College Leaver Destinations (2021-22) available online, <https://www.sfc.ac.uk/wp-content/uploads/2024/03/College-Leaver-Destinations-2021-22-revision-March-2024.pdf>

⁶³ HESA (2022) New research shows more graduates moving for work, available online: <https://www.hesa.ac.uk/news/29-11-2022/new-research-shows-more-graduates-moving-work>

Figure 36: Forecast index GVA in energy industry (2023-2033)



Source: UHI and ICFGF

4.4 Future job estimates

This section includes forecasts for expected regional job creation and skills supply over time and in the Green Freeport local authorities (Highland and Moray). This section also identifies areas of skills gaps which may be a constraint in the near-term or longer term for the Green Freeport's access to a skilled labour market. There is also consideration in this section around localised mismatches between jobs and skills to inform other interventions that may overcome these challenges (such as the creation of transport links to address geographical barriers).

The level of additionality for the Green Freeport area is relatively High. New 'bottom-up' analysis suggests that, with the full allocation of seed capital, the potential pipeline of development on tax sites over the next 25 years could result in the creation of 18,300 jobs for the UK, 11,300 of which would be in the Highlands. These figures focus on jobs created through the delivery of the proposed tax sites only. We recognise the wider benefit to the region's economy and impact on the labour market, so the ICFGF will work with the Scottish Government's National Skills Planning function as well as local and regional partners, to take a holistic approach to meeting wider skills planning.

There is a shared ambition with Highland Council to co-deliver a regional workforce strategic regional response to cross sectoral requirements from other transformational projects competing for labour. Many of the skills required in the Freeport will be required in other sectors. Project managers, electricians and those with digital skills will be in high demand in the energy sector as well as construction, transport, and other sectors. Businesses are already facing challenges recruiting from these skillsets not just locally, but in some cases, globally.

For example, SSEN's 'Pathway to 2030' underpins £7bn+ investment in the north of Scotland transmission network, supporting 20,000 jobs nationally, SSEN will recruit 400 new employees in the region over the next 12 month alone. There are also six hydro projects currently under development,

including Coire Glas in Scotland which could more than double the UK's pumped storage hydro capacity to 7.7GW, create almost 15,000 jobs and generate up to £5.8bn for the UK economy by 2035.

Other ScotWind projects within the region also provide significant economic opportunities for port and harbour developments across the Highlands and Islands, for example including in Kishorn, as well as decommissioning activity, spaceports, critical infrastructure projects and housing. Whilst not specifically modelled as part of the occupational demand modelling (which focused on the operation of the Freeport), the planned investment will also drive considerable demand for construction jobs.

Employment demand

Sector forecasts (not including Freeport estimates)

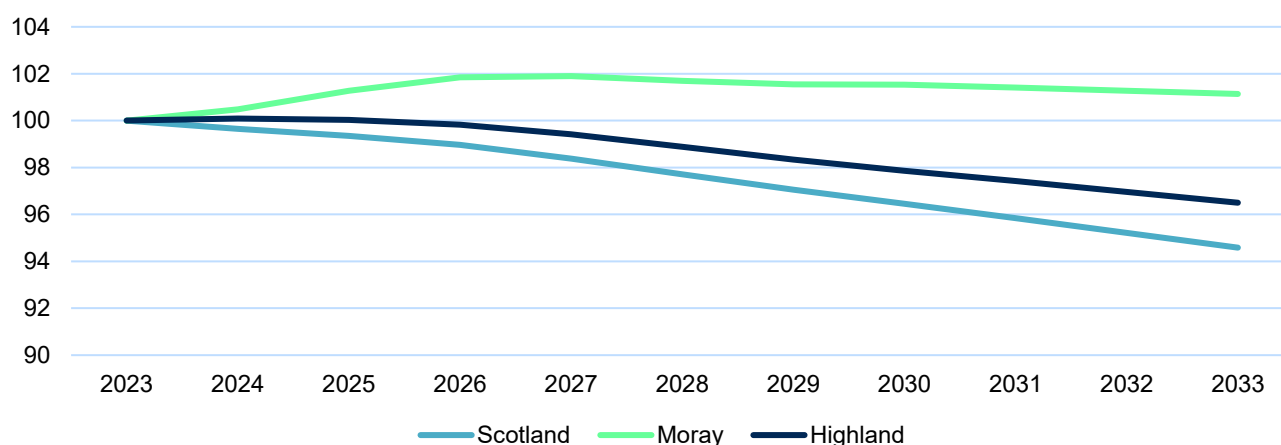
Oxford Economics forecasts and projections are provided on a 'policy neutral' basis. Unconfirmed, aspirational or policies at the planning or development stage are not included. The forecasts are built primarily around economic relationships but make use of local knowledge and published material on local development to augment modelling, as well as forecast population and demographic change in Scotland, amongst several other macro-economic factors.

Policy considerations around pivoting to 'green-energy' will not appear in employment forecasts until policy-driven investments are confirmed. As such, Green Freeport developments are likely not to be included in forecast data until business cases are signed off and investment has commenced.

Employment

Overall, total energy employment demand is expected to grow in Moray, but decrease in Highland, though to a lesser extent than is expected for Scotland as a whole. Total employment in the Energy industry in Highland and Scotland is forecast to decrease by 3.5% and 4.5% by 2033 from the base year, 2023, as shown in Figure 37. In contrast, in Moray it is set to increase by approximately 1%.⁶⁴ The Green Freeport may stem this decrease through the provision of employment opportunities.

Figure 37: Forecast index total employment in energy industry (2023-2033)⁶⁵



Source: Oxford Economics 2024

Change in employment in the energy sector can typically be captured by two measures expansion demand and replacement demand. Expansion demand is defined as the number of new jobs as a result

⁶⁴ Note that Oxford Economics forecasts and projections are provided on a 'policy neutral' basis. Unconfirmed, aspirational or policies at the planning or development stage are not included.

⁶⁵ The data provided by Oxford Economics did not include SIC codes of more than two digits. Therefore, the Scottish Government's Growth Sector definition for Energy could not be used as outlined in Appendix 1. Consequently, Oxford Economics' definition of Energy as a key sector has been used for this analysis.

of growth in the sector. Replacement demand is the number of people who will have to be recruited to replace people who have left the sector for example, through retirement.

In terms of expansion demand, Scotland is forecast to see a decrease of 5,167 workers in the energy sector from 2024 to 2033. Highland is forecast to see a decrease of 149 workers and Moray is forecast to see an increase of 5 workers.

Scotland is forecast to see demand for 18,409 workers in the energy sector from 2024 to 2033. In contrast, Highland is forecast to see demand for 2,015 workers and Moray 147 workers in the energy sector from 2024 to 2033.

It should be noted again, however, that Oxford Economics forecasts and projections are provided on a 'policy neutral' basis. As such, employment that may result from currently unconfirmed ScotWind leasing rounds will not be included in the forecasts. Likewise, employment increases from the Green Freeport may not be included in the forecasts.

Supply shortages

Previous research, conducted by Ekosgen, into the nature of the labour market in the Energy sector in Inner Moray Firth (within which the Green Freeport is situated) found that there are several factors that negatively impact the supply of labour in the region. These factors primarily relate to difficulties in meeting labour demand. A short summary of some of these factors, that impact the provision of Energy sector labour in Inner Moray Firth, is included below.

- Training providers report difficulty in responding to demand for skills, particularly considering patterns of work, short-term nature of contracts and projects, etc. Better communication between employers and education and training providers will improve the flexibility and responsiveness of providers to meet industry need.
- The current availability and configuration of space for training is unsuited to the provision required by the energy sector, and renewable energy in particular.
- Labour costs can be problematic for employers, particularly considering the anticipated competition for skills, and this may impact on the supply of skills within the sector, as well as having knock-on effects in other sectors and areas.

ICF Green Freeport estimates

As part of the work to develop the Economic Case a set of independent job estimates were developed for the ICFGF Commission. The development of these estimates takes a bottom-up approach through consultation with landowners in the region to help better understand what future employment demand might look like as a result of the establishment of the Inverness & Cromarty Firth Green Freeport.

More information about how the estimates have been produced, including assumptions and caveats, can be found in the economic case

The estimates were produced for the period 2024 – 2049 however this section of the skills plan focuses on the period 2024 – 2040 as after this point, the job estimates are expected to largely flatline with no additional growth. Table 6 below provides a high-level cumulative total of job estimates from 2024-2040 shown by the main sectoral activity as defined through consultation with landowners.

The table reveals that **a total of 8,663 jobs could be created** between 2024 and 2040 in the Inverness and Cromarty Firth Green Freeport region. These sectoral forecasts relate to the main component of the overall job creation potential of ICFGF - the operational jobs on tax sites. **It should be noted that they exclude construction jobs, as well as the supply chain and income multiplier effects from both operational and construction jobs.**

Analysis shows that:

- **The first year (2024) will see limited job creation** of approximately 80 jobs, the vast majority of which (75%) will be in fabrication and manufacturing with a further 12.5% expected to be in marshalling and assembly.
- **Beyond March 2025, job creation is expected to pick up a bit more pace, with a cumulative total of 2,278 jobs estimated by the end of March 2028.**
- The period **between 2029 and 2034 is expected to be the fastest rate of job creation. A total of 4,775 jobs are estimated over this period.**
- Beyond 2034, there will only be minimal increases in the number of jobs created. 469 jobs are estimated over this period.

Looking at the job estimates by sector, between 2024 and 2040:

- Fabrication and Manufacturing jobs account for by far the greatest share of total expected jobs – 5,075 (59%). Most of these jobs (93%) are expected to be created by 2033.
- Marshalling and assembly jobs are also expected to account for a significant share of estimated jobs in the freeport – 1,398 or 16%.
- The next greatest share of jobs will be in the Life Sciences, with a total of 950 jobs anticipated between 2024 and 2040, representing just over one-in-ten jobs (11%) within the freeport over the period.

Table 83: Job estimates in the ICF Green Freeport (2024 – 2040)

	Financial year ending																		
	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31	31-Mar-32	31-Mar-33	31-Mar-34	31-Mar-35	31-Mar-36	31-Mar-37	31-Mar-38	31-Mar-39	31-Mar-40		
Port svcs	1	1	8	23	34	41	55	69	81	91	93	93	92	93	93	93	93		
Marsh & Assemb	10	15	135	375	566	729	837	1044	1205	1370	1397	1397	1397	1397	1397	1398	1398		
Fab & Manuf	60	71	322	844	1366	2042	3246	3771	4349	4735	4890	4988	4891	5046	5053	5064	5075		
Marine tech	1	1	6	31	62	117	173	215	264	317	369	390	411	419	422	426	431		
O&M	3	24	41	44	47	59	71	83	95	107	117	126	135	135	135	135	135		
Hydrogen	0	0	0	16	35	62	121	266	280	307	333	336	342	348	350	355	359		
Training	4	26	45	50	56	61	64	67	71	75	76	76	76	76	76	76	76		
Life sciences	0	0	0	25	109	279	443	552	643	735	797	858	888	919	950	950	950		
Accomm	1	1	1	1	5	12	30	33	38	40	41	44	42	45	46	46	46		
Business admin	0	0	0	0	0	18	24	28	37	60	82	82	87	91	91	96	100		
Total	80	140	558	1409	2278	3419	5063	6128	7065	7837	8194	8388	8362	8570	8613	8638	8663		

Estimated jobs by skill level

From a skills planning perspective, it is useful to consider the types of skills associated with the job estimates contained in Table 7, above. This provides a better understanding of the qualifications that will be required by the people who will fill these jobs and the pathways that they might take into these jobs (i.e., apprenticeships, college, or university routes).

It should be noted that the estimates themselves **do not** provide a breakdown of the jobs by skill level. Instead, we use **qualifications as a proxy for skill level**, utilising existing analysis from Oxford Economics on workforce qualifications in Life and Chemical Sciences, Engineering, Energy, Tourism, and other sectors, as well as for Scotland as a whole.

SDS' [Sector Skills Assessments \(SSA\)](#) present a percentage breakdown of the qualification levels in each of these sectors' workforce from those with no qualifications through to those with SCFQ level 11+. The methodology used to produce the data contained in Table 7 has involved applying these percentage breakdowns to the job groupings set out in Table 6 above. For example, for the 950 Life Sciences jobs, we apply the workforce qualification breakdown contained in the [Life & Chemical Sciences Sector Skills Assessment](#). Where there is no relevant sector, i.e., business admin, training we have applied the Scotland-wide average.

This gives us an overview of estimated qualification requirements for the jobs that are expected to be generated through the ICFGF. However, it's important to note that in the absence of more detailed

estimates, this method is simply a best estimate based upon what is already know about qualification levels within relevant sectors. Therefore, interpretation of this data should be treated with caution.

Table 84 below sets out this analysis of the job estimates by qualification level to show that:

- **Almost half of the jobs in the freeport will require people with high level qualifications (SCQF level 7+)** – The qualification level which is expected to account for the largest share of jobs will be those at SCQF level 7-10 (46.5% - 4,030 jobs).
- **When compared with the Scottish average, estimated jobs at the freeport will require a greater share of people qualified to SCQF level 7 and above** – 53.2% of the Scottish workforce were qualified to SCQF level 7+ in 2023 but the analysis reveals that the equivalent for the freeport could be as high as 59%.
- **The greatest volumes of jobs at SCFQ level 7+ (just over 3,035)** are expected to be in Fabrication and Manufacturing followed by Marshalling and Assembly (836).
- **A very small share of the workforce will have no qualifications** – 4.8% of the job estimates at the freeport will be for workers who have no qualifications. This is a smaller share than across Scotland as a whole (5.9%).
- **Lower-level qualifications will be in less demand at the freeport than across Scotland as a whole** – Fewer than one-quarter of jobs (22.9%) at the freeport will be for people with SCQF level 1-5, compared to 26.4% for Scotland as a whole. However, there will still be a significant volume of jobs available for those with level 1-5 qualifications – in the region of 1,993.

Table 84: Job estimates in the ICFGF by qualification level (2024 – 2040)

	No Qualifications	SCQF 1-4	SCQF 5	SCQF 6	SCQF 7-10	SCQF 11-12
Port Services	5 (5.9%)	9 (9.9%)	15 (16.5%)	13 (14.5%)	39 (41.8%)	11 (11.4%)
Marshalling and Assembly	69 (4.9%)	123 (8.8%)	193 (13.8%)	178 (12.7%)	658 (47.10%)	178 (12.7%)
Fabrication & Manufacturing	249 (4.9%)	447 (8.8%)	700 (13.8%)	644 (12.7%)	2390 (47.10%)	645 (12.7%)
Marine Tech	15 (3.6%)	31 (7.2%)	55 (12.7%)	59 (13.8%)	215 (49.9%)	58 (13.5%)
Operations & Maintenance	5 (3.6%)	10 (7.2%)	17 (12.7%)	19 (13.8%)	67 (49.9%)	18 (13.5%)
Hydrogen	13 (3.6%)	26 (7.2%)	46 (12.7%)	50 (13.8%)	179 (49.9%)	48 (13.5%)
Training	4 (5.9%)	7 (9.9%)	13 (16.5%)	11 (14.5%)	32 (41.8%)	9 (11.4%)
Life Sciences	50 (5.3%)	106 (11.2%)	151 (15.9%)	137 (14.4%)	395 (41.6%)	109 (11.5%)
Accommodation	4 (8%)	5 (11%)	12 (25.2%)	9 (19.4%)	13 (28.3%)	4 (8.1%)
Business Admin	6 (5.9%)	10 (9.9%)	17 (16.5%)	15 (14.5%)	42 (41.8%)	11 (11.4%)
Total (n)	420	774	1219	1135	4030	1091
Total (%)	4.84%	8.93%	14.06%	13.09%	46.49%	12.59%

N.B. Please note that figures may not sum due to rounding.

Estimated jobs by wages

Table 85 below presents the blended average income per FTE (full time equivalent) for each of the broad sectoral activities in 2024/25. This wage analysis is based on Scottish Annual Business Statistics 2021 (SABS) 2021 data for employees, GVA and wages and salaries at the Scottish level for each of the relevant SIC Divisions.

Wages in the offshore wind sector are typically higher than those in comparable manufacturing sectors and analysis of the job estimates shows that the wages provided for these jobs will be significantly higher than the average wage of a comparable manufacturing job in Scotland (see the Economic Case for further detail).

The table shows that:

- The salary level varies significantly across the different job types in the freeport with the lowest for accommodation (£24,583) and the highest in Fabrication and Manufacturing (£47,725).
- Jobs in Life Sciences (£46,772) and Hydrogen (£43,159) are also expected to command some of the highest salaries at the freeport.
- Salaries are also expected to be above £40,000 level in Port Services and Marine Technology.
- Jobs in Marshalling and Assembly and Operations and Maintenance are anticipated to be at a similar level of £38,832 and £37,552 respectively.
- Salaries are expected to be lowest in accommodation (£23,428) followed by Business admin (£34,828).

Table 85: Job estimates in the ICFGF by qualification level

Job estimates by income	
Port services	£43,248
Marsh & Assembly	£38,832
Fab & Manufacturing	£47,725
Marine tech	£43,640
Operations & Maintenance	£39,404
Hydrogen*	£43,159
Training	£38,606
Life sciences	£46,772
Accommodation	£24,583
Business admin	£36,545

Source: Scottish Government Hydrogen Assessment / CWA interpretation (see Hydrogen sheet)

5. Skills gaps and generic issues

5.1 Skills gaps

In addition to the skills shortages identified in 3.3 and 3.4. primary research undertaken by SDS with local employers has provided qualitative data, about what skills are in demand beyond the technical and professional skills. Feedback was sought from a small number of employers who are/will be operating within the freeport.

Broadly speaking, the skills requirements can be split into three phases:

- **In the first phase, the immediate skills shortages are around planning, consenting, designing and environmental.**
- **For the second phase, there is a general shortage of people, but from a skills perspective, the key shortage areas include construction and fabrication (notably welders, with a need for concrete pourers, joiners, and steelworkers), engineers, electricians, wind turbine technicians, marine operatives, and people with warehouse (including forklift), marshalling and logistics skills.**
- **For the third stage, some of these skillsets will still be required, and future roles are likely to focus on maintenance with technicians and electrical engineers in demand. For some roles, this will require experience of working at height, working with hydraulics, and working with specific pieces of equipment/machinery.**

One business said they are anticipating 2,000 jobs over the fabrication stage (med- long-term timescale, but that timings will rely very much on the speed of the grid upgrade, as well as the annual contract for difference (CfD) rounds. The base skills requirements vary from job to job, ranging from concrete pouring which could be trained quickly inhouse, to environmental roles which would require

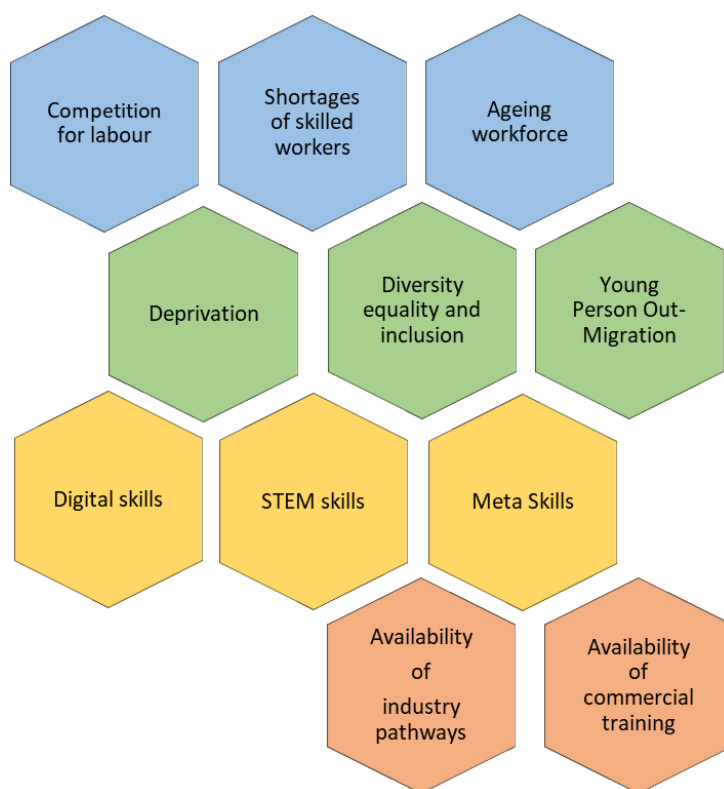
at least a relevant degree (e.g., geography) and project managers and civil engineers, with both roles requiring a substantial amount of experience.

With regards to the people shortages, many expect that some of these roles will be filled by a transient workforce, however there is an appetite and confidence that shortages could be met through recruiting local talent. However, there is recognition that with low levels of unemployment locally there is a limited pool of labour that there will be a requirement for addressing skills gaps through upskilling and reskilling. Pressure on the energy sector future labour and skills needs is not only coming from interchangeability within the energy sector itself, but increasingly, from interchangeability with a much wider range of related sectors DWP already having difficulty placing customers into administrative, care or logistic roles given the limited number of people. In addition to this, few currently possess skills relevant to the renewables sector.

In addition to the issue of ongoing outmigration of young people from the area, an ageing workforce is also a concern as illustrated in the example of a business finding that the average age of applicants for jobs they had advertised recently was 45+, and so they are looking at ways in which they can attract young people. Another business recognises a need to target both primary and secondary schools in the local area, with a focus on STEM.

The key Identified skills gaps and issues from employers are summarised in Figure 38.

Figure 38: Local employer skills gaps and issues



While the area is already home to higher-level engineering skills, there are specific skills shortages and requirements for skilled operatives, with evidence referring to a shortage of welding skills. It is also thought that there will be a challenge in the demand for experienced workers (those with 3-5 years of in-work experience). From a Scotland-wide perspective, there are industry wide skills shortages in engineering, manual construction, O&M and professional services. There will be a significant demand for engineers, technicians, tradespeople, and H&S specialists who can work on hydrogen-related equipment.

In addition, ongoing employer engagement is providing The PowerHouse with an understanding of the needs of employers and capacity of the providers. A broader analysis of the skills requirement indicates that there will be demand for skilled labour in:

- Construction – Steel workers, Joiners, skilled and specialist trades.
- Civil Engineering – Including Plant Operations
- Engineering
- Manufacturing and Production – including welding and fabrication
- Assembly
- Operations and Maintenance – including GWO certificated wind operatives
- Warehousing, Transport and Logistics
- Business Administration / professional roles – including legal and finance
- IT and Digital – including robotics, analytics, AI, and modelling
- Life Sciences

It is anticipated that employer skills needs can be met locally given the scale of the projected jobs, with training available through The PowerHouse consortium, for example through UHI, Nigg Skills Academy who currently are delivering related training and plans to enhance provision as identified in the ten-point plan for skills. The training landscape locally is already responding to the emerging opportunities in the region with new providers entering the market. Aurora Training Services for example are now operating locally, offering GWO, IRATA and ECITB training.

Of those within the exiting oil and gas workforce, 90% have medium to high skills which can transfer over to renewable/low carbon energy roles (UK Offshore Energy Workforce Transferability Review, RGU, 2021). A successful energy transition will see the offshore energy workforce increase by 25% by 2030, whereas failure to realise its full potential could see the workforce decline by 40% (Powering up the Workforce, 2023), so the timing of skills and projects within the transition will be of key importance. It is hoped that the Energy Skills Passport, which is currently being developed by OPITO, will identify pathways for flexible careers across offshore energy, streamlining the transferability of skills.

6. Skills & workforce actions

6.1 Existing local action to address skills gaps

Significant activity is already underway to address the skills gaps noted above, including the Green Freeport's emerging skills priorities. The PowerHouse is already working closely with the region's employers, UHI and wider education and training providers, to also consider how existing activity could be developed in partnership with the ICFGF. Further details are available in Table 11. This planning process is also benefiting from using local intelligence, for example SDS's [Regional Skills Assessment for the Inverness and Highland City Deal](#) to help address skills gaps and challenges.

While the focus of this section is on local action to address skills gaps, we recognise in the ten-point plan for skills the importance of talent attraction. We expected that people will be willing to travel and/or relocate for the right roles. While we have not assessed each and every course that may be relevant at a UK or even Scottish level, the most appropriate skills providers have been identified in Annex A of this skills plan.

UHI's Strategy 2030 clearly outlines its role as an anchor institution within the region, with a mission to have a transformational impact on the people, communities, and economy of the region in doing

so becoming: a destination of choice for learners, responding to the regional and industry needs and developing national and global, expanding relevant national and global collaborations.

Highland Council's Delivery Plan (2024-2027), Workforce for the Future Portfolio be a key driver in a collaborative regional response to acute labour and skills challenges across all sectors in the Highland region. Through the partnership forums identified in this plan, the ICFGF will work with Highland Council to align resources and planned activity.

The Highland Employability Partnership (HEP) has been identified as a key strategic body, with membership including Department of Work and Pensions, Developing the Young Workforce, Federation of Small Businesses, Highland Council, Highlands & Islands Enterprise, Highland Third Sector Interface, Highland Third Sector Interface Employability Forum, NHS Highland, Skills Development Scotland and the University of the Highlands and Islands.

Working closely with the HEP is key to the ambitions of the Green Freeport. The HEP already works with individuals and employers to raise as many Highland residents as possible out of poverty through sustainable and fair work; supporting those who face multiple barriers into employment and enabling progression out of poverty for those who are already in work.

The HEP have produced a 3-year Delivery Plan which presents a strategic outline of the proposed employability priorities in Highland. The plan reflects the priorities of partners and their clients and complements the statutory provision in place and sets out a comprehensive series of actions and interventions that regional partners will take to address our four overarching skills priorities. The HEP strategy and delivery plan set out current respective roles and responsibilities for delivering these local actions.

The HEP Delivery Plan has mapped the 5-stage employability pipeline (Table 86). This has been further broken down to Highland-wide and local provision and is available to assist clients and employers.

Table 86: 5-Stage employability pipeline capacity mapping

	Stage 1 Engagement and Referral	Stage 2 Barrier Removal	Stage 3 Vocational Activity	Stage 4 Employment Engagement	Stage 5 Employee Support
Highland Wide					
Highland Council	•	•	•	•	•
DWP (Job Centre Plus)	•	•	•	•	•
Skills Dev. Scotland	•	•	•		
NHS Highland		•		•	•
UHI (University)			•	•	•
HTSI (Third Sector)			•		
North Highland					
UHI North Highland		•	•	•	•
DYW – North Highland			•	•	
Inner Moray Firth					
HTSI (Third sector)			i)		
UHI Inverness			•	•	•
DYW – Inverness and Central Highland			•	•	
West Highland					
UHI West Highland	•	•	•	•	•

DYW – West Highland			•	•	

Source: Highland Employability Partnership Delivery Plan, 2022-2025 (revised April 2023)

In addition to the HEP, wider strategic bodies that the ICFGF will engage with include:

- Highlands and Islands Regional Economic Partnership (REP).
- Highland and Islands Skills Leadership Forum.
- Developing the Young Workforce Boards - Inverness and Central Highland, North Highland, West Highland, and Moray.
- UHI and associated colleges – UHI Inverness, UHI North West and Hebrides and UHI Moray.
- Highlands & Islands STEM Partnership.

SDS' [Skills Investment Plan \(SIP\) for Highlands & Islands](#), as well as the Highland Council's Employability Delivery Plan have been the key regional documents, driving skills and employability activity in the region. The SIP describes the regional response required in 4 clear themes, which has informed this skills plan.

Meeting the skills needs of our employers	Planning for the future and understanding the impact of our investment	Building the workforce of the future	People attraction, retention and place attractiveness

Extract from the Skills Investment Plan for Highlands & Islands. Page 19

6.2 Green Freeport priorities

Research has indicated employer appetite to recruit from within the region. The constraints of the skills pipeline, combined with a smaller proportion of the population being of working age, means that without a co-ordinated skills intervention, the likely levels of demand for skilled workers will be unmet, with high competition between sectors and employers, and a shortage of key skills.

To achieve this, a number of priorities have been identified:

- Ensure delivery of a range of actions to develop a ready supply of more local skilled labour, either within the immediate ICFGF area, within the Inner Moray Firth area, or regionally across the Highlands and Islands. This will satisfy employer appetite to recruit locally and reduce the need for recruitment out of the area.
- Raise awareness amongst the current and future workforce of the range and scale of career opportunities presented by the ICFGF and the supply chain. This will include influencers such as Careers Advisers, schools, tertiary education providers, and parents/carers.
- An accessible range of routes and opportunities for learning and training, including work-based learning. These should be clear and structured so they can be easily articulated and communicated. Maximising the potential for work-based learning and enabling those in vocational training to gain work experience, will help develop their professional competency. This will meet previously identified demand for experienced workers, and overcome challenges related to the seasonality of work in offshore wind.
- Provision of training and learning to upskill, reskill and repurpose skills in line with industry need. This will require FE and HE providers having a good understanding of the skills that are required, and when. Part of this will include building the accreditation of prior skills and certifications for use in new sectors such as offshore wind, to smooth the path for suitably skilled workers to switch to offshore wind or hydrogen and help to meet the skills demand from inward investors and businesses developing new Energy infrastructure.

- A collaborative ‘quadruple helix’ approach to understand, co-ordinate and respond to the demand for skills, comprising the public sector, education and training providers, industry, and the social enterprise sector. This is particularly important for short courses but will also help UHI and other providers to develop their offer. It will also support industry access talent – previous research identified a question around whether industry knows where to get people with the required skills and qualifications to support planned activity in and around ICFGF.
- Encourage employers to work more co-operatively to co-ordinate their demand for skills, helping the supply system to respond at pace and scale, both individually and through partnerships. It was previously identified that PowerHouse initiative and related activity had begun to do this. This should be capitalised upon to allow for a more streamlined, effective, and responsive provision of skills to meet growing demand.
- Capitalise on existing assets and initiatives such as DYW, Nigg Skills Academy, the PowerHouse Membership, employability provision, as well as STEM-based education and training provision such as the Science Skills Academy and the UHI STEM Outreach Programme, to maximise routes into relevant sectors and roles.
- Whilst not strictly related to skills, it is important that businesses in the region are aware of the opportunities presented by the ICFGF and the supply chain. This should include the sequencing and timings of activities and when the various components will come on stream.

6.3 Complementary activity taking place and partnership opportunities.

In considering the skills gaps identified through the workforce analysis in section 3, the ICFGF have mapped existing activity where actions to mitigate those gaps are already in train locally. The mapping also demonstrates opportunities for the skills pipeline to be expanded in line with needs identified for the Green Freeport.

With a significant UHI student population within the region, this presents a real opportunity for the ICFGF to communicate with and support a significant community of young people to encourage them to become a core element of the workforce needed, meeting UHI’s mission to limit the talent drain from the area, not only post-school, but post further and higher education.

Existing activity included in the mapping below, particularly the Local Employability Partnership driven activity, aligns with the ICFGF objective to ensure that local people can access jobs created by the Green Freeport including removing barriers faced by individuals with protected characteristics, those not currently in employment, and those in low-paid work.

This existing activity can be scaled up, in response to employer demand with the support of ICFGF. Opportunities for collaboration are identified in the mapping. The plan then sets out the likely the new actions and support the directly driven by the ICFGF. This process will be managed through the governance arrangements as described.

Table 87: complementary activity taking place and partnership opportunities.

(This is a sample of the range of key activity by partners locally.)

The Ten Point Plan for Skills – Priority Areas	
1. Young people engagement	2. STEM outreach
3. Entry level sector specific recruitment support	4. Targeted pre-employment support
5. Supporting and developing pathways to skilled green jobs	6. Increasing apprenticeship uptake and graduate recruitment
7. Providing scholarships and bursaries	8. Enhanced and new commercial training
9. Enhanced and new Further and Higher Education	10. Attracting new, skilled people into the region

Lead	Description	Value Outputs Timescale	Funder(s)	Delivery	ICFGF Skills Needs Addressed and/or Future Partnership Opportunity	Support Point Priority	Ten Plan
Aurora Energy Services	Commercial Training Operators of the only GWO, IRATA and EICTB training centre in the North of Scotland.	£1.22m Renewable Energy Training Centre, established, with £173,625 HIE support . Up to £20 million of funding from Scottish National Investment Bank (SNIB)	Private Sector SNIB HIE	Certified to deliver the following to accredited, industry standards Global Wind Organisation (GWO) Basic Safety Training (BST). - International Rope Access Trade Association (IRATA) rope access level 1 and Level 2 Training. - ECITB Approved training: Mechanical Joint Integrity (MJI) Confined Space Entry Working at Height CCNSG Safety Passport	Yes - The services offered by Aurora align to the growth sectors and business development opportunities that the ICFGF will bring, enhancing the local skills training offer and workforce support available. Yes – opportunity to work with Aurora to meet future employer training requirements.	#4 #8	
Barnardo's Works	Access to Trades	n/a	Highland Council Employability Service & CITB	Sector Based Academy model (Access to Trades) where we support those in need of enhanced employability support for entering the Construction Industry, providing qualification in Health & Safety and CSCS provision.	Yes -Part of an employability pipeline that leads to employment supported by Scottish Academy for Construction Opportunities (SACRO) detailed below. Yes - Opportunity to expand into other sector-based models subject to funding.	# 4 # 5 # 6	

					Their robust relationships with local employers, allows us to provide robust employability provision that meets the needs of industry whilst adequately preparing the young person for the reality of the world of work.	# 9
Barnardo's Works	Scottish Academy for Construction Opportunities (SACO)	£665,950 Scotland Wide 3 years 200 people	CITB	SACO aims to enable construction career opportunities for people from local communities, and to create a talent pipeline to meet the needs of local construction employers. Over the course of three years, the SACO project will support individuals to overcome any initial challenges they may face as they begin their career in construction, while also providing ongoing in-work support to improve retention and importantly, progression.	Yes – immediate requirement to grow construction sector workforce / retention. Yes – Opportunity to partners with UHI Inverness to support attainment rates on their NPA Construction courses. Working with our Employer network to support them in their recruitment of new entrants/apprentices.	# 3 # 6
Barnardo's Works	The Barnardo's Employment, Training and Skills (ETS) Service	n/a	n/a	Currently works to support disadvantaged people and/or those facing multiple barriers. 15-29 years who require support to gain engagement into a positive, sustainable destination. We work with young people on a 1:1 basis and in small groups from initial induction through to connectivity to next step training, education or employment.	Yes – providing wage uplift and higher skills levels of ICFGF target audience	# 4 # 6 # 6
DWP	Support for employers and individuals Sector-based work academy programmes (SWAPs)	n/a	UK Gov	Delivered via Jobcentre offices, where trained experts will assist employers to find the talent they require and develop a tailored recruitment plan providing relevant support throughout the process. Sector-based work academy programmes (SWAPs) are UK government-funded opportunities to help prepare those receiving unemployment benefits to apply for jobs in different areas of work. The provision is administered by Jobcentre Plus in partnership	Yes – DWP locally are a part of the LEP and now also part of the ICGF skills sub-group. Both services outlined are aligned to ambition to recruit, especially from clients with more disadvantage backgrounds, barrier to work and underrepresented groups.	#1 #3 #4 #5 #10

				with employers and learning providers. SWAPs are designed to help employers recruit a workforce with the right skills to sustain and grow their business. A sector-based work academy programme can last up to 6 weeks. Participants remain on benefits throughout. SWAPs have 3 components: • pre-employment training – matched to the needs of the employer’s business sector and delivered by adult skills learning providers. • work experience placement – an opportunity for the recruiting employer to identify talent and for the individual to cement their knowledge and understanding of the required role. • a guaranteed job interviews.	Yes - SWAP can be increased in line with future demand for pre-employment upskilling and work preparation.	
DYW Developing the Young Workforce Inverness and Central Highland	Connecting employers to with young people in schools and colleges.	n/a	Scottish Government	Developing sustainable links between schools, colleges, and employers to help employers be more engaged in shaping their future workforce and better prepare young people for the world of work, by influencing the curriculum and working alongside educators.	Yes - Working with the Green Freeport and employers across different industries to support the pathway to Green Jobs - #greencareersexpo24 as an example of an initiative but other projects are ongoing with individual businesses and schools. ICGF will become a catalyst for increased and enhanced engagement.	#1 #3 #5 #6
ECITB	Work Ready Programme	n/a	UK Gov	The ECITB Work Ready Programme is designed to tackle industry skills shortages and support individuals into employment. The programme is a collaborative and co-funded partnership between the ECITB, employers, training providers, the Department of Work and Pensions (DWP) and other local partners. Attendees, who are 18 and over, gain recognised industry skills and accredited qualifications as part of a programme that lasts up to 16 weeks and helps them secure employment at the end.	Yes - opportunity to consider bespoke programme for ICGF	#1 #3 #4 #5

	Energy Scholarships	n/a	Industry	ECITB also offers pilot Energy Scholarships for the industry for Wind Transfer Technician, Energy Transfer Technician, Fabrication and Welders. The ECITB scholarship was created to address workforce shortages in key engineering construction roles and provides technical training to help create a pipeline of talented new entrants. The scholars get a grounding in core engineering knowledge and skills as well as an understanding of new technologies, and a foundation in digital skills through the new ECITB digital passport. Scholars receive a £100-week grant to develop their engineering knowledge and skills and achieve industry standard qualifications.		# 7 # 9
ESP Scotland The Energy Skills Partnership is the college sector agency in Scotland for energy transition, zero carbon transport, engineering, construction, and STEM.	College Training Networks	n/a	Scottish Funding Council (SFC)	ESP support colleges in developing their capability, capacity, and curriculum by establishing appropriate Training Networks. Every college in Scotland is an ESP member and there are Leads forums for Engineering, Construction and STEM with formal Training networks for: ○ Advanced Manufacture, ○ Automotive, ○ Fabrication & welding, ○ Hydrogen, ○ Wind, ○ Marine & Maritime, ○ Low carbon heat, ○ Energy efficiency, ○ Construction crafts, ○ Building services.	Yes Yes - ESP currently work with SOWEC in developing plans to promote sector attractiveness to the offshore wind sector. This will target students of all ages in STEM subjects and mainstream learners to promote opportunities and offer information advice and guidance to them, parents, teachers, and the wider community all of which aligns to the ambition and actions set out in the ICFGF skills plan.	#1 #2 #3 #5 #6 #9
HIE	Science Skills Academy (SSA)	To date 28,000 engagement primarily school pupils.	Inverness & Highlands City Deal	Plan to deliver over next 3 years: • 30,000 full day STEM experiences to 10–14-year-olds across 199 schools.	Yes - Promotion of STEM and developing STEM skills. SSA operate Newton Rooms in Thurso, Dingwall, Inverness, and Fort William. A pop-up Newton Room goes out	# 1 # 2

			Highland Council HIE	• Host 150 hands-on STEM sessions for families in communities– 6,000 community members. • Expand our offer to young people through informal learning pathways including badged groups, hosting 50 evening sessions in our Newton Rooms. • Hold an annual STEM Skills Engagement conference targeting teachers and influencers (in partnership with UHI and DYW) • Recruit Audience Development Coordinator to expand our reach, our Pop-Up delivery capacity and develop new programmes. • Maintain our Network of permanent Newton Rooms to a high standard.	to communities which do not have a permanent one. Yes – Subject to funding, SSA could extend its impact: • Diversity audience type –into communities, disadvantaged groups, senior phase pupils. • Deliver in new areas –Extending our Pop-Up Newton Rooms.	
Highland Council	Highland Council's Delivery Plan (2024-2027) , Workforce for the Future Portfolio	n/a	Highland Council Public sector Private Sector	New regional workforce strategy which identifies energy as one of several priority sectors and aims to deliver the following outcomes: • Providing and supporting the entitlements of Career Education and work placements for all our Young People. • Enhancing and informing the Learner Journey through pathways planning an effective use of data. • Supporting our schools' curriculum to be flexible, widening access and providing equity of opportunity for all. • Increasing work related learning opportunities to meet the aspirational and economic demand. • Supporting the wider outcomes of the Young Person's Guarantee through joined up approaches with partners. • Promoting equity of provision through additional, targeted support of our most vulnerable groups.	Yes – in addition to supporting outcomes of ICFGF in relation to energy skills and labour supply, this strategy and associated activity will address wider challenges such as displacement in other sectors.	#1 #2 #3 #4 #5 #6 #7 #8 #9 #10

				• Embedding work related learning and skills into our core curriculum and support profiling approaches; and • Empowering all stakeholders to lead and develop DYW within their own context.		
Highland Council Education Services	Education Provision at early learning and childcare, primary and secondary levels in both mainstream and special schools.	n/a	Highland Council	Through the workforce for the future workstream THC is realigning the curriculum to support youth employment around the key growth and volume sectors of which Green Energy & Construction is included. • This will see a focus Career Education & Work placement Education 3-18 with clearer pathways into each of identified sectors. • A special focus will be on our most vulnerable learners with all age employability overing a smooth transition from school to adulthood if require. More focus will be on bringing the workplace to the classroom offering context to learning as well as work placements, project-based learning and mentoring.	• Through the workforce for the future workstream THC is realigning the curriculum to support youth employment around the key growth and volume sectors of which Green Energy & Construction is included. • This will see a focus Career Education & Work placement Education 3-18 with clearer pathways into each of identified sectors. • A special focus will be on our most vulnerable learners with all age employability overing a smooth transition from school to adulthood if require. • More focus will be on bringing the workplace to the classroom offering context to learning as well as work placements, project-based learning and mentoring.	#1 #9
Highland Council Employability Service	All Age Employability Service	n/a In 2022-2023, 680 new clients (51% under the age of 25 years and 49% over the age of 25) resulting in 257 clients progressed	Highland Council	Focused on those people who, without additional support, may not make a successful transition into or be able to sustain work, further education, or training. Prioritising the following client groups: • People aged 16 to 24, and up to 26 for care experienced young people. • Families more likely to experience poverty. • People with health issues, disability or managing health conditions. • Long term unemployed people.	Yes – provides a pipeline of labour for 'entry level' jobs elsewhere in the labour market - in part backfilling posts that may become available if other 'skilled' staff move/progress onwards. Yes - Opportunity to expand offer in partnership with ICFGF to offer: • Pre -employability support - to then progress onto sector-based work	#2 #3 #4 #5 #6

		into employment.			academy, FE/HE courses and job pathway opportunities. Expand offer to wider client groups where funding can be sourced.	
National Manufacturing Institute for Scotland (NMIS)	Business support manufacturing through innovation.	n/a Over the last 2+ years NMIS has assisted over 1500 leaders, employees, and SME trainees through its range of provisions.	Scottish Government SFC	NMIS are involved in all strands of the ICFGF skills plan and can reach across Scotland, the UK, and beyond to deliver the best solution to industry. NMIS aims to avoid duplicating any existing FE/HE or private training provider provision. Instead, NMIS aim to understand employer need for any given scenario and identify how best to deliver the results required working with a range of providers and stakeholders such as HIE, SDS, UHI.	Yes - NMIS are committed to working with ICFGF and its stakeholders in order to support existing and new businesses to develop innovative solutions in manufacturing and engineering broadly.	#1 #2 #3 #4 #5 #6 #7 #8 #9 #10
Nigg Skills Academy	Specialist Training Provision in Welding & Fabrication and associated engineering skills.	n/a	HIE, HC also SDS MA contract funding	On site (located at Nigg Port Quayside) Training Facility with delivery of 16-week entry level Fabrication & Welding course, fully accredited to Lloyd standards and SQA verified in partnership with UHI North Highland College. A primary client group for this provision comes from local unemployed people seeking to enter the labour market, working in partnership with DWP. Also, delivery of a Modern Apprenticeship (MA) in Fabrication & Welding – an 18 month delivery model, funded by SDS for employees of local firms. Delivery of National Plant Operators Registration Scheme (NPORS) accreditation for relevant commercial contractors.	The Academy is located within the ICFGF and on-site at Nigg Port which gives ease of access for future clients who may locate close by and require relevant training. As and when any future demand grows, in line with e.g., Offshore Wind development, NSA will be well placed to develop and increase its offering to align to such demand. However, an increase in funding would be required to support this.	#1 #3 #4 #6 #8
Offshore Wind Scotland- DeepWind Cluster	Offshore Wind Student Webinars	n/a	Offshore Wind membership	DeepWind are working with ESP and UHI to deliver a series of webinars aimed at UHI student body with the theme of offshore wind sector attractiveness as a career choice:	Yes - A key activity promoting OW careers to a young audience, STEM outreach and informing FE/HE.	# 1 # 2

				• Engineering & construction in offshore wind. • Land & marine opportunities in offshore wind. • Business & supporting roles in offshore wind. • STEM & Innovation in Offshore Wind.	DeepWind are a key member of the SOWEC Subgroup which plans to extend this activity to other Scottish universities. Yes - DeepWind is also interested in a national campaign to promote the wind industry as a career opportunity for young people and others, as direct interactions with the target audience.	# 8 # 9
OPITO	Developing innovative and robust training Standards, qualifications, and initiatives for the energy sector.	n/a	Industry SDS	STEM – OPITO support a number of national STEM projects within ICFGF area. Commercial training – OPITO has a global network of more than 260 accredited training providers capable of delivering to the sector. FE/HE – OPITO has completed research, mapping, and a comprehensive consultation with industry Supporting and developing pathways to green jobs – OPITO has undertaken invaluable extensive research, mapping, and consultation and detailed mapping work with respect to oil and gas technical roles and their transferability into other energy roles with input from other skills and standards bodies. Talent Attraction – OPITO has completed work on key outcomes that include acknowledgement of an urgent need to attract people from other engineering and technology sectors, integration and recognition of armed forces leavers skills, and how transition opportunities can be better consolidated and communicated. This includes leading the work on a “Skills Passport” for the energy industry. The end goal is to better inform all energy and offshore sectors on how to achieve a more integrated approach to attraction and retention.	Yes – OPITO currently leading on training, standards and qualification development on behalf of the industry. Yes – The ongoing work of OPITO will complement the broader ICFGF skills plan and related intelligence, planning and development of future provision.	#2 #5 #8 #9 #10

Skills Development Scotland (SDS) SDS is the national skills body supporting the people and businesses of Scotland to develop and apply their skills	Career Information Advice and Guidance (CIAG)	In 2021/22 SDS invested £11m in Highland to support CIAG and national training programmes	Scottish Government SDS	As part of the SG Young Person's Guarantee, SDS careers advisers work in partnership with every state secondary school within the Highland Region and specifically the ICFGF area, delivering career guidance to enable young people from S1-S6 to develop their Career Management Skills. SDS careers services, is working to equip their customers with the skills and confidence they need to navigate the changes ahead and take advantage of opportunities that arise. SDS professionally qualified careers advisers do this by supporting all our customers to develop Career Management Skills. SDS CIAG also deliver the My World of Work Live, a STEM inspired national programme delivered by which provides fun, experiential work-related lessons to help young people understand future careers options and SDS have a dedicated MyWoW live programme and delivery manager covering the ICFGF area. SDS also lead on My World of Work is Scotland's online career information and advice service and is used by pupils throughout their time at school and beyond.	Yes - SDS will continue to work closely with Highland Council Education Services (schools) as well as with DYW, DWP and HIE in order to coordinate and develop the range of support available in order to ensure ICFGF can retain local people in the area. Yes - SDS CIAG will be fully involved in supporting the ICFGF, its members, partners as well as working with current and future employers in order to raise awareness of future career paths locally.	#1 #2 #3 #5 #6
SDS	National Training Programmes (NTP)	In 2021/22 SDS invested £11m in Highland to support CIAG and national training programmes	Scottish Government SDS	SDS administers Scottish Apprenticeships on behalf of Scottish Government, which incorporates Foundation Apprenticeships (FAs), Modern Apprenticeships (MAs) and Graduate Apprenticeships (GAs). Scottish Apprenticeships benefit businesses, individuals and the local and Scottish economy. Apprenticeship jobs give people the chance to work, learn and earn in order to get the skills employers want. They give employers the critical skills to adapt, sustain and strengthen their business. They effectively allow a business to “grow their own” pipeline of future, sustainable employees.	The growth that will come within the ICFGF area and beyond as a result of the development, will present the opportunity to offer an increased number and potentially wider range of apprenticeships. The aim is to see an increase that will result in 5% of new jobs created within ICFGF to be apprenticeships.	#1 #3 #4 #6

UHI	Pre-Recruitment & Pre-Apprenticeship Programmes	Annual / on-demand programmes	UHI / SFC / Commercial	A range of short courses that are qualification or skills-based, dependent upon sector requirements. Tailored to employer needs and focussed on linking students with employers to facilitate recruitment. Areas include: • Engineering • Fab & Weld • Project Management • Health & Safety • Construction • Leadership and management • Business Robotics and Marine.	Yes – existing programmes across a range of sectors Yes – opportunity to scale up	# 1 # 3 # 4 # 5 # 6 # 8
UHI	Further & Higher Education Provision	N/A	SFC	UHI is our regions' University, and the Regional Strategic Body (RSB) for Further and Higher Education in the region, with 36,000 current student enrolments on our courses. Offering skills, training, and education across the full spectrum of FE and HE provision, UHI's curriculum portfolio covers short courses, national and vocational qualifications, including: • SQA awards and those of other bodies e.g., City and Guilds • Apprenticeships • Higher National Certificates and Diplomas (over 60 programmes), • Undergraduate degrees (89) and postgraduate taught Masters (42) Post-graduate research degrees (MRes 15) including research centres specialising in Biodiversity and Marine	Yes – existing programmes across a range of sectors.	# 5 # 9 # 10
UHI	STEM outreach programme	£1m 3 years 2023-26	Offshore Wind Industry	This collaborative industry funding is a model that can be scaled and/or replicated for other skills initiatives. It has supported the employment of 11 STEM Coordinators based	Yes - meeting future employer demand. Yes - UHI will also work with other agencies involved in STEM education activities to consider local needs based around UHI	# 1 # 2 # 5

				across the whole UHI region in local Academic Partners. 3 of the roles are full-time in Caithness & Sutherland, Orkney & Inverness. During the 3-year programme, the STEM coordinators are working with UHI partners, schools and teachers (student, probationers and practitioners) to deliver various STEM topic 'Lend a Lab' boxes, all aligned with the Curriculum for Excellence, as well as coordinating locally focussed STEM partnership networks. UHI also Chair and support the Highlands and Islands STEM Partnership, which connects STEM providers to plan engagement and outreach activity across the UHI regions.	Academic Partners and facilitate coordination of effort by locally focussed networks. Subject to additional funding the STEM outreach programme can be sustainable over the longer term and expanded.	
UHI	Apprenticeships	£2.5m	SDS	UHI is the primary provider of apprenticeships in the ICFGF operating area, and one of the largest apprenticeship providers in Scotland, supporting around 1,500 apprentices at any one time across the family of Foundation, Modern and Graduate Apprenticeships. This includes dedicated business support teams across a range of frameworks including: • Engineering • Construction & Built Environment • Business Management • Business Administration • Finance	Being an integral partner of the ICFGF skills plan and delivery group of stakeholders, UHI would work to increase apprenticeship numbers, across a range of existing and emerging disciplines exponentially with ICFGF expansion, in line with the ambition to meet an aim to have 5% of new jobs created as apprenticeships.	# 1 # 3 # 5 # 6 # 10
UHI	Young People Engagement through BGE and Senior Phase delivery	N/A	SFC UHI Highland Council	UHI engages with young people in a variety of ways. In respect of Under 18 school and college engagement, UHI, through their Academic Partners, offers a rich and varied programme of in school, college based and online activity running through the Broad General Education and the Senior Phase. UHI engage with all secondary schools in the 8 local authorities across our region.	Should any additional resource become available via ICFGF funding this would secure the future of UHI's offering across the regions. This would continue and increase work that is vital to the development of the young people element of the skills pipeline and would ensure coordination and efficiencies across the UHI region.	# 1 # 2 # 3 # 4 # 5 # 6

				UHI's school-college partnerships offer opportunities to study a wide range of courses as part of the school timetable, including: • Foundation Apprenticeships with c.500 enrolments, embedding work placements with employers. • Vocationally focussed and practical qualifications such as Skills for Work • National 5, Higher, Advanced Higher, National Progression Award in subjects which schools cannot offer • Higher Education degree modules and Higher National Certificate options. Subjects span: built environment, sociology, aquaculture, engineering, computer science, care, psychology, cyber security, environmental science, mental health, professional cookery. • Demand for support in schools is often greatest in STEM subjects, computing, and the built environment. Taster sessions in specific sectors are regularly offered, including industry representation.		
UHI	Employability Support	N/A	UHI / SDS / SFC / Local Authority	UHI plays a critical role in providing routes into employment via education and training at several points in the learner journey, and in various ways including: • Regional Economic Partnership development and planning • Working with DWP and other partners in Local Employability Partnerships • Targeted pre-employment programmes, with a particular focus on early school leavers and those at risk of disengaging from school • Bespoke programmes with employers, including guaranteed interviews on programme completion	Yes – UHI existing activities will contribute to overall employability strategies related to the Freeport	# 1 # 3 # 4 # 5

				Provision of a range of access programmes, government training schemes and employability fund programmes		
UHI	Commercial Training	N/A	UHI/Industry	UHI provides a range of commercial training, from bespoke short courses through to full qualifications. These include but are not limited to: • CMI leadership and management programmes • Electrical/plumbing/oil and gas accreditation • Green technologies (e.g., heat pumps, EV charging, etc) • Health & Safety (sector specific and general) up to NEBOSH level as well as SMSTS & IOSH • Project Management • Seaweed aquaculture • Environmental robotics	Yes – UHI existing commercial portfolio will contribute to overall skills requirements related to the Freeport	# 5 # 8 # 10
UHI	Research Knowledge & Exchange	N/A		For green industries to flourish, high calibre and targeted research and consultancy must underpin the innovation that is required. UHI's energy research is located right 'where the resource is' and offers world class facilities and multi-disciplinary research teams particularly relating to environmental, marine, rural, and socio-economic aspects, providing solutions to ongoing and emerging energy challenges. UHI's dedicated Energy Knowledge Exchange team connect business, stakeholders, and public-sector groups with researchers across our partnership, such as SAMS, ERI and the Institute for Biodiversity and Freshwater Conservation to play a leading role in developing cutting edge research, innovation, and skills development opportunities.	Yes – UHI existing Research and KE portfolio and capacity will contribute to overall innovations and skills development requirements related to the Freeport	

UHI	Scholarships	Since 2021, over £500,000 of philanthropic support has been committed to scholarships	Sponsors / Donors	UHI has an existing and growing range of corporate and other philanthropic donors who support UHI-wide scholarships and bursaries to attract talented students, break down barriers to access, broaden the diversity of the student body and help us to deliver a pipeline of talent to industry.	Currently dedicated fundraising resource to support new scholarships and administration of the expanded scholarship and bursaries programme is limited, however with the advent of ICFGF support and funding, within 5 years, UHI plan would be to support 750 students per year (2% of the total student body) with an appropriate range of scholarships, bursaries and prizes.	# 7 # 9
UHI	Talent Attraction	N/A	UHI/ Various	UHI facilities, education and skills provision, cutting-edge research, services and knowledge exchange (KE) activities support the energy sector attract both students and staff from across the UK and internationally, including, as examples: • The Environmental Research Institute (ERI) based in Thurso • Centre for Energy and the Environment, a purpose-built research facility attracting research talent globally • Extensive experience in supporting re-training and retention of populations as industries evolve, for example, the RAF and Army bases in Moray, and Dounreay in Caithness. A contactable alumni database of c.40,000 individuals who have studied with UHI at HNC level and above. This includes, for example c.1,000 engineering alumni.	Yes – UHI existing activities will contribute to overall Freeport and regional talent attraction strategies.	# 10

6.4 New actions – Inverness and Cromarty Firth Green Freeport Ltd.

Section 3.5 provides details of expected demand for skills across different sectors and skill levels based on the forecast job creation for the Green Freeport. We know that given the scale and sectoral make-up of the opportunity, the existing local action to address skills gaps, detailed in section 4.1 will not be enough to meet forecast demand in the short, medium and long term.

In recognition of this, the ICFGF will address remaining skills gaps by investing in and shaping the local skills base and creating pathways into employment for local people. We will do so by taking a holistic approach to the skills needs of employers and go beyond simply matching qualifications to vacancies. We will look to remove barriers for disadvantaged groups and address inequality within the regional workforce. While it is important to recognise that the Green Freeport is not responsible for addressing all socioeconomic challenges of its region, we have an opportunity to invest locally and across the region, driving much of the positive change required.

The ICFGF is utilising the policy levers provided to by government to secure investment in activities in skills, stimulating supply and demand in the region. As a means of delivering longer-term and enduring outcomes for the Highland economy and communities, the local retention of incremental Non-Domestic Rates generated on Green Freeport Tax Sites will be one of the most valuable elements of the Green Freeports package. Such a revenue stream will provide a significant opportunity to facilitate further investment in skills, infrastructure, decarbonisation initiatives and innovation, especially as we are able to ‘join up’ the funding with other sources – public and private.

We will then add value by attracting further investment in skills through the use of contributions from employers based on National Insurance Contributions (NICS) reliefs, which will be reinvested via the ICFGF skills and innovation fund. Based on current forecasts this is anticipated to generated approximately £15m of funding over 7 to 10 years. This will provide skills and training for employers as well as developing the skills of local people. It is important any funding addresses the identified gaps and works alongside the existing skills ecosystem. To achieve this, we will proactively engage with local careers and employment support to ensure opportunities reach deprived people or areas. Should additional funds be deemed necessary then consideration can be given to utilising the NDR fund.

Ongoing engagement with employers, communities and partners has led to the development of a programme of targeted interventions which engage the workforce locally, playing a critical role in ensuring the necessary skills are available in the local labour market. As part of the wider programme, our focus on attracting talent will not only benefit employers. A first step will be to maximise the use of this network to meet the needs of employers. The PowerHouse has been established within ICFGF Ltd to drive skills and innovation and currently has 63 member organisations. It is continually expanding to include the best of provision nationally, ready to meet the emerging needs of employers.

Table 88 sets an initial scoping of areas of financial support ICFGF support the ten priority areas of the Ten Point Plan for Skills. This fund will be highly response to employer demand and emerging opportunities so will be reviewed yearly by the PowerHouse and agreed by the board. This investment will support where required expansion and enhancement of current activity as well as drive new activity to address the identified gaps. A key principle of the planned investment is to ensure we are not duplicating any existing funding streams but instead making strategic investments in skills to scale up or support new activity appropriate to the ambitions of the Green Freeport and to create a long-term legacy in terms of strengthening the regional skills infrastructure.

Summary key actions

Proposal appropriate at the time of writing. Subject to developing employer demand and new private / public funding opportunities.

Table 88: Ten Point Plan for Skills – Indicative ICFGF Support based on job creation assumptions and partner consultation.

Action	Delivery Partner	Target date	Measure of success	Target group
Priority 1: Young people engagement				
To address: Competition for labour, ageing Workforce, digital skills, STEM skills, Meta Skills, young people migration, deprivation, DEI				
1.1 Secondary Schools Support	Highland Council - DYW, SDS, UHI, Employers	Reviewed and monitored annually	14 activities per annum	Students
1.2 Skills Events			2 per annum	Local Disadvantaged
1.3 Skills Award Project			2 per annum	Underrepresented Graduates
				Employers
Priority 2: STEM outreach				
To address: Competition for Labour, ageing Workforce, digital skills, STEM skills, Meta Skills, young people migration, Deprivation, DEI				
2.1 Skills award - prizes for students e.g., apprentice of the year, student of the year, runners up. Event funding	H&I Regional Skills Partnership, UHI, Science Skills Academy including SDS, The Powerhouse, Young Engineers and Science Clubs Scotland, Highland	Reviewed and monitored annually	tba	Students
2.2 Employers codesigned STEM outreach activity			2 per annum	Local Disadvantaged
2.3 Networking Event			2 per annum	Under represented Graduates
				Low Paid
				Employers
Priority 3: Entry level sector specific recruitment support.				
To address: Shortages of skilled labour, competition for labour, ageing Workforce, deprivation. availability of industry pathways				
3.1 Skills Evaluation Day	DWP, Employers, Highland Employability Partnership (HEP) framework training providers,	Reviewed and monitored annually	1 per annum	Students
3.2 Website	ICFGF		Initial investment + per annum	Local Disadvantaged
3.3 Skills Academy Bursary - match funding	ICFGF		50 awards per annum	Under represented
3.4 Supporting Staff Member	ICFGF		1 post	Unemployed
3.5 Supporting new entry level qualifications	OPITO		Subject to demand	Low Paid
				Employers
Priority 4: Targeted pre-employment support				
To address: Shortages of skilled labour, competition for labour, ageing workforce, deprivation, availability of industry pathways, DEI				

4.1 Bursary - start-up costs (e.g. travel, uniform etc)	Highland Partnership framework providers, Childcare	Employability (HEP), HEP training employers,	Reviewed and Monitored Yearly	30 awards per annum	Students Local Disadvantaged Under-represented Unemployed Low Paid Local Community Employers
4.2 Childcare support - Non DWP supported - 10 hours per week in addition to 30 hours	ICFGF			30 awards per annum	
4.3 Community Fund - sponsorship	ICFGF			1 fund per annum	
4.4 Staff Member specifically supporting ICFGF events 0.6 FTE	ICFGF			1 Post	
Priority 5: Supporting and developing pathways to skilled green jobs					
To address: Shortages of skilled labour, competition for labour, ageing workforce, deprivation, availability of industry pathways					
5.1 Skills Academy - training provider support - retraining	Highland Council – Education, UHI, The Powerhouse, UHI Colleges, CECA Scotland Academy, Nigg Skills Academy, employers	Reviewed and Monitored Yearly	50 Individuals annually	Students Local Disadvantaged Under represented Unemployed Low Paid Local Community Employers	
5.2 Training Centre / Hub staffing	ICFGF				
5.3 Annual Economic Review	ICFGF				
Priority 6: Increasing apprenticeship uptake and graduate recruitment					
To address: Shortages of skilled labour, competition for labour, ageing workforce, young people migration, Meta Skills, deprivation, DEI					
6.1 PowerHouse Intern	Green Freeport employers, Higher Education institutions, FA & MA training providers	Reviewed and Monitored Yearly	1 post	Students Local Disadvantaged Under represented Unemployed Low Paid Employers	
6.2 Apprenticeships	Green Freeport employers, training providers		Funding to support identified gaps	Students Local Disadvantaged Under represented Unemployed Low Paid Employers	
Priority 7: Providing scholarships and bursaries					
To address: Shortages of skilled labour, competition for labour, ageing workforce, young people migration, deprivation, DEI					
7.1 Bursaries and Scholarships	Green Freeport employers, UHI, training providers	Reviewed and	4 programmes per year	Students Local Disadvantaged Under represented	

		monitored annually		Unemployed Low Paid New to area Employers
Priority 8: Enhanced and new commercial training				
To address: Shortages of skilled labour, competition for labour, availability of commercial training, STEM skills, Digital skills				
8.1 Development Fund. New training provision - facility/new courses in the Highland	The PowerHouse Consortium	Reviewed and monitored annually	1 award per annum	Students Local Disadvantaged Under represented Unemployed Low Paid New to area Current workforce Employers
Priority 9: Enhanced and new Further and Higher Education.				
To address: Shortages of skilled workers, competition for labour, youth migration, STEM skills, Digital skills, deprivation, DEI				
9.1 Match Funding for FE/HE	The PowerHouse Consortium	Reviewed and monitored annually	1 award per annum	Students Local Disadvantaged Under represented Low Paid New to area Employers
Priority 10: Attracting new skilled people into the region				
To address: Shortages of skilled workers, competition for labour, youth migration				
10.1 Innovation Grants	HIE, UHI, UK Universities, Talent Scotland, recruitment agencies, employers	Reviewed and monitored annually	1 award per annum	Students Under represented Unemployed
10.2 Agency Support			1 award per annum	Low Paid New to area
10.3 Promotional Costs			1 award per annum	Employers

6.5 Priorities - The Ten Point Plan for Skills

As part of the FBC, the aim of this Skills Plan is to accelerate and drive forward higher value employment and training opportunities across our high value manufacturing sectors, whilst also enabling new employment opportunities, inclusion opportunities, education and careers options and wider supply chain innovation and enterprise activity.

Highland Council's Delivery Plan (2024-2027), Workforce for the Future Portfolio sets out strategic approach which has informed this skills plan, with delivery based on three layers of activity that employers (individually and collectively) within the ICFGF footprint and wider Highland region, that delivery partners and employers can commit to:

1. The universal level: programmes to raise the awareness of young people and their families in the Highlands.
2. The additional or targeted level: programmes which deepen understanding of industries by providing more direct experience of work-related learning; and
3. The intensive level: programmes which cater for specialist pathways, including embedding more work specific and elite level programmes and qualifications and creating jobs.

To deliver we will work with key delivery partners named in this plan to align our aims and resources. The Ten Point Plan for Skills, summarised in below, brings together commitments from ICFGF and a wide range of partners. The plan looks to address identified skills gaps through ten clear priority areas. Underpinning each priority area is a mix of existing, enhanced, and new activity, delivered through existing funding streams and addressing identified gaps where the skills fund will support.

1. **Young people engagement.** We will develop our under-18 learning offer and programme of employer school and college engagement in partnership with key organisations such as Highland Council, Developing the Young Workforce, SDS and UHI to raise awareness of the ICFGF and emerging opportunities. This will enhance our learner pathways and provide added value to the current Careers Information and Guidance (CIAG) offer, with new and enhanced delivery of project-based contextualised teaching and learning materials and input from new and existing employers. This action will feed into Point 5, supporting green pathways.

Highland Council have committed to introducing clearer pathways into each of identified sectors, bringing the workplace to the classroom offering context to learning as well as work placements, project-based learning, and mentoring. A special focus will be on our most vulnerable learners with all age employability overing a smooth transition from school to adulthood if required. More focus will be on.

2. **STEM outreach.** We enrich the curriculum with work-related learning. This will inform the delivery of existing STEM outreach activity and engage our employers in the co-design and delivery of new STEM activity, including the number of STEM Ambassadors in the region with responsibility with supporting school works. We will work with the Highlands and Islands Regional STEM Partnership, an existing forum whose membership includes key delivery partners across the Highlands to actively engage with a diverse all-age audience.
3. **Entry level sector specific recruitment support.** We will work with DWP and other potential funders to promote sector-based work academy programmes (SWAP) with our employers, as well as accessing DWP Flexible Support funding to help prepare those receiving benefits to apply for jobs in a different area of work and provide a range of bespoke solutions including pre-employment training, work experience and guaranteed interviews.
4. **Targeted pre-employment support.** We have identified the requirement for targeted interventions to support a range of local people and disadvantaged groups, including an economic pathway for children with additional support needs (ASN). We will work with Highland Employability Partnership (HEP) and its 3 sub-Highland Local Employability Partnerships (LEPs) including the Inner Moray Firth LEP to add value to existing activity. Multi-agency partnerships are already established with a remit to deliver employability services and will work with our employers on, for example, developing pre recruitment and training programmes that will prepare local people to progress through sector-based work academy programmes (SWAP) into employment.
5. **Supporting and developing pathways to skilled green jobs.** [The SDS Green Jobs report](#) highlights that the highest proportion of green jobs are in professional occupations followed by skilled trades occupations, as well as finding the majority of new and emerging green jobs were in engineering occupations. To meet this demand, we will promote and support routes to skilled trade and professional roles through Foundation and Graduate Apprenticeships and other industry focussed green pathways, for example through accelerated pathways for schools in the Green Freeport area, focusing on children from disadvantaged areas.

ICFGF is committed to supporting activities which will improve the gender balance of 'green jobs' within the Freeport's labour market, taking into consideration multiple ages and stages (e.g. new entrants including apprenticeships, career changers, and female returners).

6. **Increasing apprenticeship uptake and graduate recruitment.** We will stimulate applicant demand though the increased volume of outreach activity and of promotion (Point 1 and 2), supporting employers to engage and recruit from a pipeline of future Foundation, Modern and Graduate Apprentices. ICFGF's target will be that 5% of new jobs are apprentices or graduates. This will provide employment for local people in high value jobs. We may for example also run physical industry showcase events at an early

stage. For graduates, we may work with UHI and other HE institutions on enhanced routes e.g., provision of short 'bootcamp' style courses, new online training materials and bespoke offer e.g., female career changers.

7. **Providing scholarships and bursaries.** One of the uses of the Skills Fund will be to provide scholarship funding for apprentices, further and higher education students, supporting learners to encourage diversity and targeted at areas of deprivation within the Green Freeport area. Further detailed work on the ICFGF skills and innovation fund will be undertaken for the FBC and into the operational phase.
8. **Enhanced and new commercial training.** We aim to provide a 21st century 'shopfront' for talent to the sector by working closely with The PowerHouse's provider network to improve the availability of commercial training locally. We will continue to engage with employers to identify and meet their skills needs. For example, we know that there is unmet demand for specialist, often niche training, and upskilling provision.

We will also work with The National Manufacturing Institute for Scotland (NMIS) to strategically identify and fill provision gaps for advanced digital manufacturing skills by building on, complementing, and augmenting existing local provision. NMIS can support to understand the evidence base around skills needs associated with the transition to net zero emissions and develop products and services to address skills needs to keep up with new manufacturing tools and techniques.

9. **Enhanced and new Further and Higher Education.** Aligned to the approach to commercial training, UHI has committed to supporting the skills demands of industries within the ICFGF and a working group including local colleges across Highland and Moray is to be established. ICFGF would also look to work with all providers.
10. **Attracting new, skilled people into the region.** The ICFGF will facilitate direct engagement with investors and employers to meet demand, through a range of activity that could include:
 - Working with the local recruitment sector.
 - Working with Talent Scotland and, in the future, the Talent Attraction Migration Service.
 - Targeting previously Highland and Moray domiciled FE/HE students to return to the region through promoting high quality jobs.
 - Investment in existing digital platforms to include content on the how people live, work, study and visit the region.
 - In the short and medium term, sector specific marketing campaigns which aim to attract people.

In addition to these key interventions, we know that labour supply and skills availability is also impacted by (and impacts) other enabling factors such as availability of housing, education, and public transport. ICFGF is aware of these and is already working strategically with key partners, such as the Highland Council, for opportunities to mitigate these factors.

Throughout the plan, there is a focus on engaging with the local labour market and local skills providers to maximise regeneration and impact within the region.

7. Monitoring and evaluation

7.1 Skills

On a day-to-day basis, monitoring and evaluation of this Skills Plan will be the responsibility of the PowerHouse Manager and will form part of the overall monitoring of Green Freeport performance.

The Plan is a living document, guiding local activity and supporting local partners effectively deliver targeted skills and workforce development activities. ICFGF have communicated with landowners, end users or connected employers, the monitoring and environment (M&E) reporting requirements of The Department for Levelling Up, Housing and Communities (DLUHC) and the Scottish Government. As part of participating in the Freeports Programme businesses are required to support these M&E activities, including contributing to

six monthly monitoring returns, as well as participating in interviews and other supporting activities during the M&E period.

Overall monitoring, evaluation and evolution of the Skills Plan will form part of the governance structures as set out in 1.1 and within the RACI table. It will take place at two levels:

- **At strategic high-level**, the progress towards its achievement will be reported quarterly / annually to the ICFGF Board, identifying delivery risks, material changes to programme and requests for additional resource to meet the partner needs. Once a year, detailed monitoring will be further developed through the Board, identifying the risks issue and mitigations together with the learning to be shared across partners to support the continual improvement and iteration required over the life of the project.
- **At an operational level** the PowerHouse working group will meet quarterly to take note and action any changes to the requirements. This will also provide the opportunity to consider both the supply and demand of skills. ICFGF will submit a six-monthly monitoring return to the Freeports M&E team in a Spring and Autumn reporting cycle. As ICFGF move to the delivery phase, data reporting (alongside monitoring based on broader statistics) will be key to ensuring accountability for public money and tracking progress against the policy objectives. The data collection will help to track progress, outputs and outcomes over time, and reporting will also be used as evidence to inform annual reviews and provide government with the assurance to release future benefits.

Table 89: Initial monitoring form indicator list

Scottish Green Freeports – Monitoring and Evaluation - Monitoring Return	
Category on the monitoring data collection form	Indicator name
Businesses	Number of businesses using Employer National Insurance Contributions (NICS) relief
Apprenticeships	Number of apprenticeships broken down by sector, socio-economic characteristics, residence
Skills programmes	Types of skills programmes
	Number of participants
	Hours of participation
	Achieved qualification levels from skills programmes
	Spend on training support (£)
	Share of spend on training and support targeted to disadvantaged citizens from local deprived areas
	Number of participants disaggregated by demographics (by green sector and location for proportion that are local)
Skills engagements	Length of project
	Project deliverables
Fair Work	e.g. No. of on-site businesses signed up to the Green Freeport Fair Work Charter
	e.g. % of employees earning real living wage by age and gender
	e.g. Proportion of employees (aged 16 and over) who have a permanent contract
	e.g. % of on-site businesses either 'achieving' or 'excelling' across all Fair Work Charter criteria
Innovation partnerships	Number of official partnerships between universities, firms and other training centres directly relating to freeports
	Number of projects featuring collaboration between firms and research/innovation organisations due to the Freeport (include project info e.g. length, deliverables, description)

7.2 Fair Work

The role of ICFGF will be to promote and encourage employers to adopt the Scottish Government Fair Work First principles. We will do this through the promotion of the ICFGF Fair Work Charter. The process will be managed through:

All landowners signing Tax Site Delivery Agreement (TSDAs) would be required to sign the Charter.

- Landowners will be obliged to use best endeavours to get their end users to sign.

- To sign up to this charter businesses must meet all Aspiring criteria and at least three Achieving criteria as a minimum.
- A plan must then be put in place to meet the remaining Achieving criteria within six months. Guidance on how to meet these criteria can be found provided by our team. We do appreciate however that each business is unique and as such these commitments are not exhaustive and can be reviewed to better suit your business. Approaches should be progressive, relevant, and proportionate.
- In addition to the requirement to provide a route map to achievement within six months, ICGGF expects employers to have fully implemented that plan within the following six months. i.e. a total of 12 months. This 12-month period will start on the earlier of (a) the initial review and agreed commencement date with ICGGF staff and the employer, or (b) the date on which either NIC or NDR reliefs are first exercised. ICGGF staff, together with skills development partners, and where appropriate workers representation, will engage in regularised review of progress over the 12-month period. These should occur as a minimum in months 1, 5 and 11, or more regularly if resources allow.
- The PowerHouse manager will work with businesses to self-assess as they record their journey and continue to improve their delivery in line with this Charter.
- This self-assessment process will be required and monitored by ICGGF every six months.
- If a business does not reach full 'Achieving' status within the timeframe agreed, or if the self-assessment shows that they are no longer compliant with the Charter, the PowerHouse manager will refer to the ICGGF Chief Executive, who will agree the best course of action. This may include providing additional support to the business to help them reach full 'Achieving' status, agreeing an extension to the timeframe, setting out a timeframe within which compliance will be adhered to, or other actions.
- If, following this, no improvement is found, the ICGGF Chief Executive, can report the business to the ICGGF Board for breach of the Tax Site Delivery Agreements. The Board will then be responsible for determining the most appropriate route for addressing matters that require recourse, which may include recovery of fiscal benefits provided.

We assess the likelihood of non-compliance and resulting action as described in this section highly unlikely. Across ICGGF there is already a demonstrable commitment to Fair Work from landowners and employers, with the majority, if not all, already adhering to the requirement applied through Fair Work Conditionality in Public Sector Grants.

At the time of writing this charter aligns with Forth Ports Fair Work Charter. ICGGF reserve the right to amend to meet the needs of employers and workers, as instructed by the ICGGF board and in agreement with Government. At the time of writing, Highland Council have committed to developing a Good Employer Charter as part of their new Highland Council's Delivery Plan (2024-2027), Workforce for the Future Portfolio. ICGGF will continue to work closely with Highland Council to explore opportunities to align and collaborate.

Appendix A: Stakeholders consulted

We would like to acknowledge the input and support of the following organisations:

Landowners and industry investors

- Haventus Ltd
- Global Energy Services
- Port of Cromarty Firth

Other Companies

- CRC Evans
- Buchan Offshore Wind

Public Sector Stakeholders

- Skills Development Scotland

- Highland Council
- Highlands and Islands Enterprise
- DWP

Skills Providers

- The University of the Highlands and Islands
- NMIS
- Energy Skills Partnership (ESP)
- Nigg Skills Academy
- Aurora Energy Services
- Science Skills Academy

Wider Stakeholders

- OPITO
- DYW Inverness
- Inverness Chamber of Commerce

Appendix B: List of the Current PowerHouse Working Group Members

Aker Solutions	NMIS/University of Strathclyde
Carbon Capture Scotland	Neart na Gaoithe (NnG)
Carbon Trust	Offshore Wind Farm
Carnot Engines	OPITO
CeeD	ORE Catapult
CENSIS	Pasha Group
Copernicus Technology	Plus Zero
Cygnas	Renewable Energies Hamburg
Department for Workforce and Pensions	Robert Gordon University
DS Consulting	Scirocco Energy
DYW	Scotland's 5G Centre
Dynatom	SDS, HIE and SE
ESP	Nigg Skills Academy
Everoze	Serimax
Stromar	SGN
Flexergy	SHFCA
Floating Energy Alliance/Buchan Offshore Wind	Smart Business Support
France Energies Marines	SSE Renewables
Fuel Change	System Consulting
HGF	Technip energies
DeepWind	The DataLab
Howden	The Glasgow School of Art
Hydrasun	The Open University
Hydrogen Afloat	Tim Podesta Consulting
University of St. Andrews	University of Aberdeen

IFPEN	University of Bath
Intelligent Plant	University of Nottingham
LEF	University of the Highlands and Islands
ManPower Group	Unitrove
Metacon	Worley
Net Zero Technology Centre	Zero Waste Scotland

Annex M – Equalities Impact Assessment

Baseline review

The baseline indicators have been set out below.

Some socio-economic indicators have been included within the baseline review, despite not being listed as a protected characteristic. This is because there is strong evidence of links between poverty and protected characteristics meaning that persons who are considered as having a protected characteristic are highly likely to face deprivation. It is therefore important to consider these local conditions and the ways in which these factors compound the experiences of discrimination by persons with protected characteristics.

For most indicators, this relies on previous data from the 2011 Census. This is in the process of being updated for the 2022 Census. ICFGF has therefore based its FBC Equalities Assessment on the 2011 data, with updates where possible (listed in the 'available from' column).

Table 90: Equalities baseline assessment

PROTECTED GROUP	BASLINE INDICATOR	AVAILABLE FROM	NATIONAL BENCHMARKS (NUMBERS ROUNDED)	HIGHLAND	INVERGORDON	INVERNESS
Age	Proportion of population aged 0-15 years, 16-64 years and 65 years plus	ONS Mid-2021 population estimates. Available here	<i>Scotland, 2022</i> 0-15 years: 16.4% 16-64 years: 63.5% 65 years plus: 20.1%	<i>Highland 2022</i> 0-15 years: 15.8% 16-64 years: 60.4% 65 years plus: 23.8%		
Disability	Proportion of households with one or more people with a long-term health problem or disability	2011 Census Area Overviews. Available here . See 'Health' tab.	<i>Scotland, 2011</i> - Day-to-day activities limited a lot: 9.6% - Day-to-day activities limited a little: 10.1% - Day-to-day activities not limited: 80.4%		<i>Invergordon, 2011</i> - Day-to-day activities limited a lot: 11% - Day-to-day activities limited a little: 11.4% - Day-to-day activities not limited: 77.6%	<i>Inverness, 2011</i> - Day-to-day activities limited a lot: 8.1% - Day-to-day activities limited a little: 10% - Day-to-day activities not limited: 81.9%
Sex	Proportion of population male and female	ONS Mid-2022 population estimates. Available here	<i>Scotland, 2022</i> - Males: 48.6% - Females: 51.4%	<i>Highland 2022</i> - Males: 49.0% - Females: 51.0%		
Gender reassignment	No baseline data available, however there will be persons with this protected characteristic within the local authority areas.		<i>Scotland 2018</i> 0.5% people estimated to be trans <i>(Scottish Public Health Network)</i>	<i>Highland, 2018</i> No available data		

	Data is awaited from the 2022 Census					
Marriage and civil partnership	Proportion of persons not in a civil partnership	2011 Census Area Overviews. Available here . See 'Population' tab.	<i>Scotland, 2011</i> - Married or in a registered same-sex civil partnership: 45.4% - Single, separated, divorced or widowed: 54.6%	<i>Highland, 2019</i> - Never married: 30.4% - Married / Civil Partnership (CP): 49.2% - Separated: 2% - Divorced/dissolved CP: 11.5% - Widowed/Bereaved: 7%		
Pregnancy and maternity	The total number of births are published annual by National Records of Scotland. Information can be accessed here .		<i>Scotland 2022</i> 46,958 births	<i>Highland 2022</i> 1,909 births – 4% of the total births in Scotland	<i>Invergordon 2023</i> 122 births – 6% of the total births in Highland	<i>Inverness 2023</i> 867 births – 45% of the total births in Highland
Race/ethnicity	Proportion of residents per ethnic group	2011 Census Area Overviews. Available here . See 'Identity' tab.	<i>Scotland, 2011</i> - White - Scottish: 84.0% - White – Other British: 7.9% - White – Irish: 1.0% - White – Polish: 1.2% - White – Other: 2.0% - Asian, Asian Scottish or Asian British: 2.7% - Other ethnic groups: 1.3%		<i>Invergordon, 2011</i> - White – Scottish: 87.0% - White – Other British: 8.6% - White – Irish: 0.7% - White – Polish: 1.2% - White – Other: 1.0% - Asian, Asian Scottish or Asian British: 0.9% - Other ethnic groups: 0.5%	<i>Inverness, 2011</i> - White – Scottish: 83.0% - White – Other British: 8.2% - White – Irish: 0.7% - White – Polish: 3.4% - White – Other: 2.5% - Asian, Asian Scottish or Asian British: 1.5% - Other ethnic groups: 0.8%
Religion and belief, including non-belief	Proportion of residents per religious group	2011 Census Area Overviews. Available here . See 'Identity' tab.	<i>Scotland, 2011</i> - Church of Scotland: 32.4% - Roman Catholic: 15.9% - Other Christian: 5.5% - Muslim: 1.4% - Other religions: 1.1%		<i>Invergordon, 2011</i> - Church of Scotland: 38.4% - Roman Catholic: 7% - Other Christian: 6.5% - Muslim: 0.1%	<i>Inverness, 2011</i> - Church of Scotland: 34.4% - Roman Catholic: 9.5% - Other Christian: 7.7% - Muslim: 0.6% - Other religions: 0.9%

			- No religion: 36.7% - Religion not stated: 7.0%		- Other religions: 0.9% - No religion: 40% - Religion not stated: 7.1	- No religion: 39.5% - Religion not stated: 7.4%
Sexual orientation	The 2022 Census included a question on sexual orientation. Whilst this data is yet to be published, in 2018, the ONS identified that an estimated 94.6% of the total UK population aged 16 years and over identified as heterosexual or straight, 1.4% were gay or lesbian and 0.9% were bisexual⁶⁶. 3.1% of the population stated that they were 'other' or did not know. Given these proportions, it is presumed that persons belonging to this protected group are prevalent in the local authority area. Scottish Household Survey https://scotland.shinyapps.io/sg-scottish-household-survey-data-explorer/		<i>UK, 2018</i> - Heterosexual: 94.6% - Gay/lesbian: 1.4% - Bisexual: 0.9% - Other/do not know: 3.1% <i>Scotland, 2019</i> - Heterosexual: 94.2% - LGB and Other: 2.9%	<i>Highland, 2019</i> - Heterosexual: 95.2% - LGB and Other: 2%		
Socio-economic status	Unemployment rate	2011 Census Area Overviews. Available here . See 'Labour Market' tab. ONS Annual Population Survey Sep 22 – Sep 23	<i>Scotland, 2011</i> 4.8% <i>Scotland, Sep 22- September 23</i> 3.4%	Highland Oct 22- Sep 23 2.5%	<i>Invergordon, 2011</i> 5.8% NA	<i>Inverness, 2011</i> 4.3% NA
	Employment rate	ONS Annual Population Survey Sep 22 – Sep 23	<i>Scotland, Sep 22- September 23</i> 75.2%	Highland Oct 22- Sep 23 76.7%	NA	NA
	Population with no qualifications	2011 Census Area Overviews. Available here . See 'Labour Market' tab.	<i>Scotland, 2011</i> 26.8%	NA	<i>Invergordon, 2011</i> 33.4%	<i>Inverness, 2011</i> 24.3%

Impact on people with protected characteristics and mitigations

The tables below provide an assessment of the potential impact of the Green Freeport on people with protected characteristics and the mitigations that will be considered to mitigate any possible negative impacts.

⁶⁶ ONS (2019) Sexual orientation, UK: 2018 [Online] Available from: <https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/sexuality/bulletins/sexualidentityuk/2018>

1. Green Freeport Company establishment and activities

Table 91 - Impact on people with protected characteristics and mitigations: Green Freeport Company establishment and activities

PROTECTED GROUP	POTENTIAL IMPACTS	IMPACT EFFECT	MITIGATION MEASURES (IF NEGATIVE EFFECTS IDENTIFIED)
Age	<i>Positive Impacts</i> - Offer school and further education pupils a chance to work locally, rather than moving away (as traditionally happens) - The working age population is projected to increase in the Highlands over the next 20 years, this presents an opportunity to retain a higher percentage of working age population (young people) and reduce outward migration - Attract more working age population and families, which will support local school populations (currently forecast to decline) and younger age groups (projected to decline) - Opportunities for recent retirees seeking to return to work in light of the economic conditions <i>Negative Impacts</i> - Failure to develop and align the skills of the young and older workforce will mean that the opportunities presented by the Freeport will not be realised.	Positive Negative	- ICFGF's Skills Strategy, developed by the ICFGF skills working group alongside the PowerHouse, will seek to ensure local people of all ages can develop skills and careers without relocating - STEM outreach will be expanded and accelerated at school and college level, to encourage young people into qualifications relevant to ICFGF's target sectors e.g. renewable energy and life sciences - Increase awareness of job opportunities and routes into these new jobs e.g. physical industry showcase events targeting prospective apprentices, graduates, working age population inc. recent retirees seeking to return to the workforce, and 'bootcamp' access courses - Investment of Skills Fund and net retained NDR will be invested in programmes to support younger and older people to take advantage of Green Freeport opportunities. - The Fair Work First Charter encourages the creation of pathways into employment for new employees, including apprentices – it requires partners to commit to having a positive impact on people with protected characteristics and socio-economic disadvantage. - ICFGF Board's Equality, Diversity and Inclusion policy, alongside training and regular monitoring of the EDI actions will support ensuring the opportunities of the Green Freeport are realised by this protected group.
Disability	<i>Positive Impacts</i> - Increased jobs, some of which will utilise automation and artificial intelligence, which may open opportunities to a more diverse workforce <i>Negative Impacts</i> - There is a higher proportion of individuals impacted by limiting health conditions in certain areas of the Green Freeport. According to the baseline, a higher proportion of the population (11%) compared to the Scottish average (9.6%) have health problems where "day to day activities are limited a lot". Failure to ensure entry points and aligning job initiatives targeted at disabled people to overcome the barriers facing this group will mean that the opportunities presented by the Green Freeport will not be realised for this group of the population.	Positive Negative	- The Fair Work First Charter encourages the creation of pathways into employment for new employees, including apprentices – it requires partners to commit to having a positive impact on people with protected characteristics and socio-economic disadvantage. - ICFGF will build on and target existing initiatives such as the local Job Centre Plus's schemes for employing people with disabilities, further creating entry points for those under this protected characteristic. - ICFGF's Skills Strategy, developed by the ICFGF skills working group alongside the PowerHouse, will seek to ensure local disabled people can develop skills and careers without relocating - Potential for investment of Skills Fund and net retained NDR in programmes to support people with disabilities take advantage of Green Freeport opportunities and assist with career progression opportunities. - ICFGF Equality, Diversity and Inclusion policy, alongside training and regular monitoring of the EDI actions will support ensuring the opportunities of the Freeport are realised by this protected group.
Sex	<i>Positive Impacts</i> Higher quality and higher number of jobs available to men and women in the area.	Positive	- Potential for investment of Skills Fund and retained NDR to be invested in programmes to support women to take advantage of Green Freeport opportunities. - Bespoke routes to access courses will be developed for female career changers.

	<i>Negative Impacts</i> Women and girls are under-represented globally in the renewable energy sectors. A study by IRENA – International Renewable Energy Agency – found that only 32% of the industry workforce are women. If no action is taken to encourage and develop specific pathways for women and girls to acquire the skills needed, then this sector of the population will not benefit from opportunities presented through the Green Freeport.	Negative	- ICFGF will build on and target existing initiatives such as the local Job Centre Plus’s schemes for employing women. - Fair Work First Charter will encourage creation of pathways into employment for new employees - it will also require all partners to commit to having a positive impact on people with protected characteristics and socio-economic disadvantage. - Targeted campaign to specifically promote the range of energy-based jobs and opportunities to women and girls. - ICFGF’s Skills Strategy, developed by the ICFGF skills working group alongside the PowerHouse, will seek to ensure women can develop skills and careers without relocating. - ICFGF’s Equality, Diversity and Inclusion policy, alongside training and regular monitoring of the EDI actions will support ensuring the opportunities of the Green Freeport are realised by this protected group. - Identifying woman working within ICFGF to act as role models for our next generation.
Gender reassignment	<i>Neutral Impacts</i> The Green Freeport is not expected to negatively or positively impact people with this protected characteristic	Neutral	N/A
Marriage and civil partnership	<i>Positive Impacts</i> The range and high number of new jobs is expected to create work opportunities for partners, where both people work. This has previously been a barrier to inward migration into the region, where job opportunities haven’t always been abundant. ICFGF could provide employment opportunities for spouses / partners of key workers enhancing opportunities for this group.	Positive	N/A
Pregnancy and maternity	<i>Positive Impact</i> Increased job numbers are likely to improve job opportunities for people with children.	Positive	Fair Work First Charter will encourage the provision of flexible and family-friendly working where possible e.g. job sharing, flexible start/finish times - it will also require all partners to commit to having a positive impact on people with protected characteristics and socio-economic disadvantage.
Race/ethnicity	<i>Neutral Impact</i> - The numbers of ethnic minority groups living in Highland is currently fairly low. There is no anticipated negative or positive impact anticipated as a result of the Green Freeport. <i>Positive Impact</i> - The opportunities provided through the Green Freeport will encourage external investment that is anticipated to lead to internal migration from both the UK and countries of origin of the investors in order to meet the skills gaps required. This is likely to lead to a greater diversification of the local population and the wider benefits diversity can bring such as inclusivity and social cohesion.	Neutral Positive	- Potential for investment of Skills Fund and net retained NDR to be invested in programmes to support people of all races and ethnicities take advantage of Green Freeport opportunities. - Fair Work First Charter will encourage creation of pathways into employment for new employees - it will also require all partners to commit to having a positive impact on people with protected characteristics and socio-economic disadvantage.

Religion and belief, including non-belief	<i>Neutral Impacts</i> The Green Freeport is not expected to negatively or positively impact people with this protected characteristic.	Neutral	N/A
Sexual orientation	<i>Neutral Impacts</i> The Green Freeport is not expected to negatively or positively impact people with this protected characteristic	Neutral	NA
Socio-economic Status	<i>Positive Impacts</i> - Unemployment in some of the region's more deprived wards (found within the Green Freeport area) should decrease, driven by the large number of new jobs expected to be created. This will help counter losses across sectors such as hospitality, agriculture and fisheries which suffered badly from BREXIT. - Almost half of the jobs in the ICFGF will require people with high level qualifications (SCQF level 7+), which in turn will correspond with higher wages, above the current Highland average. This will have a positive socio-economic impact. - Some of these new jobs will be based on AI and automation and will be available to a wider proportion of candidates. - Reduce the proportion of people within the region that are unemployed – certain locations within the Green Freeport have higher unemployment levels. ICFGF's aim is to perform above the Scottish average. <i>Negative Impacts</i> - Unemployment is already higher than both the Highland and Scottish average in communities within the Green Freeport area. Unless specific action is taken to ensure the development of career and skills pathways, there is a change that the population within the immediate area would not benefit from the Green Freeport. - Within one area of ICFGF in particular – Invergordon – a third of the population reported having no qualifications (Census 2011). Without specific targeted activity, younger and older age groups will be unable to maximise the opportunities provided through the Green Freeport.	Positive Negative	- Programmes to help long-term unemployed into work opportunities will be promoted and developed, such as the Nigg Skills Academy places for welders and the Port of Cromarty Firth programme for certifying new security officers. - Programmes will be developed to create a range of foundation, modern and graduate apprenticeships and appropriate work-based qualifications in order to encourage young people to meet job requirements and develop the skills and attributes required for the jobs that will be created through the Green Freeport. This will include promotion of scholarships and bursaries provided by the Skills Fund for people who may be discouraged from applying for financial / other reasons. - Raising awareness of the job opportunities, qualifications required and routes to these careers through the PowerHouse via school, pupil, parent and careers guide engagement. - Gamification – AI and Automation test centres using virtual reality to help potential employees visualise the jobs and their requirements in an engaging way, using VR systems already created by the offshore wind industry. (Discussions are ongoing between National Manufacturing Institute Scotland and Nigg Skills Academy on adopting this technology for welder technology.) - ICFGF's Skills Strategy will ensure local people can develop skills and careers without relocating - ICFGF Board's Equality, Diversity and Inclusion policy, alongside training and regular monitoring of the EDI actions will support ensuring the opportunities of the Green Freeport are realised by this protected group.

All protected characteristics	<i>Positive Impacts</i> The employment opportunities associated with the Green Freeport have the potential to benefit all parts of the community, with specific, targeted actions – as outlined above – to encourage and realise these opportunities.	Positive	- Equality, Diversity & Inclusion (EDI) Policy and Fair Work First Charter. - Board Director appointed as EDI Champion who will have specific responsibility for monitoring and delivering the EDI policy. - Formalised processes for ensuring that recruitment, promotion, procurement and Board composition recognise the contributions of people with protected characteristics. - Regular EDI training will be mandatory for all Board Directors and Company employees. - All tax site landowners will be required to sign the Green Freeport Fair Work First Charter and encourage developers, tenants and end-users to do so.

2. Tax and customs sites establishment (not including physical infrastructure)

Table 92 - Impact on people with protected characteristics and mitigations: Tax and customs sites establishment (not including physical infrastructure)

PROTECTED GROUP	POTENTIAL IMPACTS	IMPACT EFFECT	MITIGATION MEASURES (IF NEGATIVE EFFECTS IDENTIFIED)
Age	<i>Positive Impacts</i> - Offer school and further education pupils a chance to work locally, rather than moving away (as traditionally happens) - The working age population is projected to increase in the Highlands over the next 20 years, this presents an opportunity to retain a higher percentage of working age population (young people) and reduce outward migration - Attract more working age population and families, which will support local school populations (currently forecast to decline) and younger age groups (projected to decline) - Opportunities for recent retirees seeking to return to work in light of the economic conditions	Positive	- ICFGF's Skills Strategy, developed by the ICFGF skills working group alongside the PowerHouse, will seek to ensure local people of all ages can develop skills and careers without relocating - STEM outreach will be expanded and accelerated at school and college level, to encourage young people into qualifications relevant to ICFGF's target sectors e.g. renewable energy and life sciences - Increase awareness of job opportunities and routes into these new jobs e.g. physical industry showcase events targeting prospective apprentices, graduates, working age population inc. recent retirees seeking to return to the workforce, and 'bootcamp' access courses - Investment of Skills Fund and net retained NDR will be invested in programmes to support younger and older people take advantage of Green Freeport opportunities. - Fair Work First Charter will encourage creation of pathways into employment for new employees, including apprentices – it will require all partners to commit to having a positive impact on people with protected characteristics and socio-economic disadvantage. - ICFGF Board's Equality, Diversity and Inclusion policy, alongside training and regular monitoring of the EDI actions will support ensuring the opportunities of the Green Freeport are realised by this protected group.
Disability	<i>Negative Impacts</i> The tax and customs sites proposed are situated on predominantly industrial land that is currently industrial in use. Access to employment opportunities at the tax and custom sites may present an issue for those with disabilities.	Negative	ICFGF will support for Investment in local infrastructure to service increased employment opportunities e.g. public and private transport networks. This will be from reinvestment from retained rates.
Sex	<i>Positive Impacts</i> The tax and customs sites proposed are situated on predominantly industrial land that is currently industrial in use. It is therefore not anticipated that it will have a significant impact on the loss of employment, rather it is expected that the number of jobs created will outweigh	Positive	N/A

	those lost. In particular, opportunities will increase for women, providing a greater range of jobs across a wider range of industries than is currently the case. impact on specific groups.		
Gender reassignment	<i>Neutral Impacts</i> - The tax and customs sites proposed are situated on predominantly industrial land that is currently industrial in use. It is therefore not anticipated that it will have any direct impact on specific groups. - It is not anticipated that the proposed tax and customs sites will have any impact on loss of employment or closure of local businesses – any impact is anticipated to be positive through job creation (as outlined at section 1) with no displacement expected.	Neutral	N/A
Marriage and civil partnership	<i>Neutral Impacts</i> - The tax and customs sites proposed are situated on predominantly industrial land that is currently industrial in use. It is therefore not anticipated that it will have any direct impact on specific groups. - It is not anticipated that the proposed tax and customs sites will have any impact on loss of employment or closure of local businesses – any impact is anticipated to be positive through job creation (as outlined at section 1) with no displacement expected.	Neutral	NA
Pregnancy and maternity	<i>Neutral Impacts</i> - The tax and customs sites proposed are situated on predominantly industrial land that is currently industrial in use. It is therefore not anticipated that it will have any direct impact on specific groups. - It is not anticipated that the proposed tax and customs sites will have any impact on loss of employment or closure of local businesses – any impact is anticipated to be positive through job creation (as outlined at section 1) with no displacement expected.	Neutral	NA
Race/ethnicity	<i>Negative Impacts</i> According to the baseline set out above, there are a slightly lower proportion of the population classified as “White Scottish” in Inverness. Some residents may be disproportionately impacted particularly if their first language is not English and therefore find it difficult to benefit from new employment opportunities.	Negative	An awareness that information and job opportunities may need to be communicated in languages other than English in order to reach a greater proportion of the population.

Religion and belief, including non-belief	<i>Neutral Impacts</i> - The tax and customs sites proposed are situated on predominantly industrial land that is currently industrial in use. It is therefore not anticipated that it will have any direct impact on specific groups. - It is not anticipated that the proposed tax and customs sites will have any impact on loss of employment or closure of local businesses – any impact is anticipated to be positive through job creation (as outlined at section 1) with no displacement expected.	Neutral	NA
Sexual orientation	<i>Neutral Impacts</i> - The tax and customs sites proposed are situated on predominantly industrial land that is currently industrial in use. It is therefore not anticipated that it will have any direct impact on specific groups. - It is not anticipated that the proposed tax and customs sites will have any impact on loss of employment or closure of local businesses – any impact is anticipated to be positive through job creation (as outlined at section 1) with no displacement expected.	Neutral	NA

3. Infrastructure development

Table 93 - Impact on people with protected characteristics and mitigations: Infrastructure development

PROTECTED GROUP	POTENTIAL IMPACTS	IMPACT EFFECT	MITIGATION MEASURES (IF NEGATIVE EFFECTS IDENTIFIED)
Age	<i>Positive Impacts</i> - Construction of new infrastructure to support the development of the ICFGF – industrial sites, housing etc. – will have a positive impact on local employment and potential employment opportunities for younger and older people – as outlined at section 1. - Additional investment in local infrastructure to service increased employment opportunities e.g. public and private transport networks. Improved connectivity within the community can improve access routes to jobs and key services for younger and older people who may rely heavily on public transport. <i>Negative Impacts</i> - The growth of employment in the immediate Green Freeport and surrounding areas could have a potentially	Positive Negative	- Net retained NDR possibly used to support housing development to support growth of the population. - Ensuring adequate land supply to deliver housing, as articulated in the Local Development Plan. - Use developer contributions to fund the necessary additional social and leisure infrastructure in order to attract families to ICFGF area and serve the increased population.

	negative impact on the availability of local housing for renting (social and market) and purchase. This could impact upon the ability of young people to remain or return to Highland. The influx of families to the Green Freeport area as a result of job opportunities could place additional pressure on education, social and leisure.		
Disability	Positive Impact Additional investment in local infrastructure to service increased employment opportunities e.g. public and private transport networks. Improved connectivity within the community can improve access routes to jobs and key services for people with disabilities who may rely heavily on public transport	Positive	NA
Sex	Negative Impact In order to realise the opportunities created through the Green Freeport, childcare will be essential to support women to develop the skills and access the employment opportunities available and failure for additional childcare to be provided will place undue pressure on existing infrastructure and service.	Negative	As part of the Council's Operational Delivery Plan, develop flexible, place-based childcare solutions rooted in the needs of local communities in collaboration with partners – including Green Freeport partners. Developing and supporting childcare solutions.
Gender reassignment	<i>Neutral Impact</i> The Green Freeport is not expected to negatively or positively impact people with this protected characteristic	Neutral	NA
Marriage and civil partnership	<i>Neutral Impact</i> The Green Freeport is not expected to negatively or positively impact people with this protected characteristic	Neutral	NA
Pregnancy and maternity	<i>Neutral Impact</i> The Green Freeport is not expected to negatively or positively impact people with this protected characteristic	Neutral	NA
Race/ethnicity	<i>Neutral Impact</i> The Green Freeport is not expected to negatively or positively impact people with this protected characteristic	Neutral	NA
Religion and belief, including non-belief	<i>Neutral Impact</i>	Neutral	NA

	The Green Freeport is not expected to negatively or positively impact people with this protected characteristic		
Sexual orientation	<i>Neutral Impact</i> The Green Freeport is not expected to negatively or positively impact people with this protected characteristic	Neutral	NA

Annex N – Assumptions and methodology for retained non-domestic rates modelling

Estimating rateable value impacts

The Highland Council has engaged specialist chartered surveyors, Graham & Sibbald, to provide a preliminary estimate of the potential timing and profile of potential growth in Rateable Values as a result of investment in Green Freeport tax sites.

This analysis has been done on a landholding-by-landholding basis based on information provided by landowners as to the estimated scale and pace of development.

In arriving at the projected Rateable Value the most relevant method of assessment has been adopted from the undernoted approaches in accordance with The Assessor's Scheme of Value and relevant Scottish Assessors Association [SAA] Practice Notes:

- Comparative
- Contractors
- Revenue – port revenue (in undertaking the Update exercise Graham & Sibbald met with the port operators of Ardersier, Inverness and Cromarty Firth, who reverted with their opinion on likely impact of Green Freeport on future port revenue).

The table below summarises which method has been used for each tax site landholding, alongside key assumptions underpinning the calculations:

Table 94 – Tax site landholding RV assessment method

Landholding	RV assessment method	Commentary / basis of comparison where relevant
Cromarty Firth – Invergordon Service Base	Revenue & Comparative	Potential for significant additional rental income generated from separately assessed subjects.
Cromarty Firth – Highland Deephaven	Contractors	Prepared on basis of offshore renewables/lay down option. Potential for major increase in event of development of [REDACTED]
Cromarty Firth – Nigg Energy Park	Comparative & Contractors	Includes significant port, quayside and manufacturing projects.
Cromarty Firth – Wakelyn & Dunskaith	Contractors	Reference to benchmark project.
Cromarty Firth – Pitcalzean	Contractors	Reference to Offshore wind projects and hydrogen facility. In the event of port development then revenue likely to be partial basis of RV assessment.
Inverness – Port of Inverness	Revenue & Comparative	Revenue may increase. Material increase in RV generated in event of land reclamation and additional land being let to 3rd parties
Inverness – Longman former landfill	Contractors	Hydrogen production facility.
Inverness – Inverness Campus	Comparative	Expanded business park.
Inverness – Aurora Energy	Comparative	
Ardersier – Port of Ardersier	Revenue & Comparative	Projected increase in RV from 2028. Additional RV generated from combination of port revenue and lay

		down rental income from 3rd parties. No allowance factored in for manufacturing which could be significant.

Initial discussions have been held with The Assessor, who will ultimately be responsible for determining the revised Rateable Value[s]. Graham & Sibbald outlined their approach and adopted methodologies to The Assessor confirmed that the approach adopted by Graham & Sibbald appeared consistent with the methodologies that he would adopt.

It is assumed that all identified areas, once completed, will be occupied and fully utilised for the purposes described by the landowners and hence defined as being in “Rateable Occupation” triggering the liability for payment of NDR.

No allowance has been made for investment in Plant & Machinery, which in the case of a number of sites will be significant.

Rating revaluations are undertaken on a 3 yearly cycle, with the next revaluation scheduled for April 2026. The exercise undertaken for this FBC is consistent with the 2023 revaluation and reflects “Tone Date” of 1st April 2022. The next scheduled Re-Valuation in April 2026 will have a “Tone Date” of 1st April 2025..

The Graham & Sibbald outputs are in the form of potential Rateable Value growth on tax sites in four periods:

- years 1-5,
- years 6-10,
- years 11-15, and
- years 16 to 25.

Estimating NDR impacts

Using these outputs, and assuming Year 1 is FY 2024/25, the potential impact on NDR has been calculated. The following assumptions have been made:

- It is assumed that the growth in the initial period (2024/25 – 2028/29) would start being realised in 2026/27 (in other words, the growth is back-ended).
- The growth in the other periods has been applied as a straight line within these periods (noting this a proxy for sites beginning to be liable for NDR and revaluations).
- A further one year lag has been built in, further to advice from Scottish Government, to represent when the revenue will actually be available to Green Freeports – starting in 2028.
- It is assumed that the Green Freeport will benefit from the rates growth in the early years when NDR relief is available, on the basis that the cost of providing relief will be reimbursed by the Scottish Government and made available as a net contribution to the net retained NDR programme.
- The overall amount of NDR growth on Green Freeport tax sites will be reduced by a ‘displacement factor’ to be agreed with Scottish Government. For the purposes of this FBC, the displacement factor is assumed to be 2.5%.⁶⁷

Status of analysis

Further detail on this analysis (such as underlying spreadsheets) are available on request.

It is critical to note that this is an illustrative forecast only and there is significant uncertainty about the quantum and timing of funds that will be available for investment. The available amounts will in practice be driven by a range of factors:

⁶⁷ While in practice displacement is likely to be greater on some tax sites and less on others, a common displacement factor is to be applied to all tax sites within the Green Freeport. Over 85% of ICFGF tax site land is dedicated to the manufacturing of offshore wind components, which will be new to the UK and therefore the displacement is expected to be close to zero. For the remainder of the tax site land, while we expect displacement to be low given the sectors targeted, we have assumed the cautious Scottish displacement factor referenced in the Economic Case of 12.5%. A conservative estimate of the weighted blend of these two figures provides the assumption of 2.5%.

- The NDR baseline needs to be agreed with Scottish Government.
- Uncertainty around the precise timing and pace of development on each site, which impacts when each hereditament will start being liable for NDR or eligible for NDR relief, if applicable. Indeed, in the early years of the Green Freeport's operations, the ramp-up of net NDR relief, which assumes the Council will not make any equivalent contribution to the national pool, plus net retained NDR is anticipated to fluctuate quite substantially and on some sites, will be very gradual.
- The rateable value of future hereditaments will in practice be established on a case-by-case basis by the Assessor. There may be significant delays in obtaining valuations, an issue that may be complicated by the fact that many developers will be operating in new and emerging sectors with little precedent for such valuations.
- All valuations, rating liabilities and NDR relief decisions are subject to the potential for appeal and review which can involve a lengthy process. During any such appeals, the NDR billed amounts are payable by the ratepayer.
- The Assessor is required to undertake a revaluation of all rateable properties every 3 years which can result in values decreasing/increasing or staying the same. Transitional Relief schemes may be implemented by the Scottish Government to limit the impacts for ratepayers and ease in new non-domestic rates liabilities. Revaluations are subject to appeal.
- There is also the possibility for future reform of the NDR system, including changes to poundage rates and supplements.

Investment commitments cannot therefore be made until all these factors are at a much more developed state.

Annex O – Security and illicit activity risk register

[REDACTED]

Appendix 1 – Tax sites – supporting information

CROMARTY FIRTH: Invergordon Service Base

(a) Overview

Tax site	Cromarty Firth
Site name	Invergordon Service Base
Site size	82.76 hectares
Ownership	Port of Cromarty Firth
Site overview	• Invergordon Service Base, and identified expansion area • Railway sidings • Saltburn Pier
Strategic vision	The Port of Cromarty Firth utilises its natural, deep sheltered waters to support the energy and tourism sectors, generating £275m per annum in GVA, while supporting 1 in 6 jobs within in the Invergordon travel to work area. In the past 10 years, the Port of Cromarty Firth has invested more than £56m in its infrastructure, including over 110,000sqm of open laydown space, deep-water berths and sheltered anchorages, suitable for accommodating large offshore wind components, such as turbine blades, tower sections and foundations, as well as the biggest offshore support and cruise vessels. The vision for this site is for Green Freeport levers to support further investments by the Port and developers to service future renewables projects. It is perfectly located for 14 of the 17 sites identified for future offshore wind projects in Scotland, predicted to be worth £26 billion to the national economy, and uniquely offers the co-location of fabrication/manufacturing with marshalling/assembly on a scale that will be smaller than Rotterdam, Vlissingen and Esbjerg but is likely to be more competitive when the port expansion is completed. Additionally, the vision for the Port is to leverage its involvement in the North of Scotland Hydrogen Programme.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	The Invergordon Service Base's two large existing laydown areas, located in a deep-water sheltered firth with excellent access to the North Sea leasing sites, means it is primed to take advantage of the offshore wind opportunity. Its ambitious expansion plans will enable the establishment of floating offshore wind technologies, mobile quaysides, further wet storage solutions, as well as a green hydrogen transshipment and refuelling hub. The proposition for this site is, accordingly, critical to the Green Freeport's strategic focus on the development of underutilised land, the facilitation of new high-value jobs, contributing to the local skills ecosystem, supporting innovative sectors and helping to deliver a fair transition to net zero.
Is creating new economic activity.	The floating offshore wind manufacturing and/or integration activity being targeted at the site will be brand new for the UK. As well as Tier 1 / 2 contractors who will establish manufacturing facilities a 'trickle-down' effect will provide new opportunities for project management / engineering / logistics etc. companies who have a track record in delivering similar contracts for the offshore energy developers over the past 50 years. They, in turn, will utilise Tier 2/3 contractors in the area and attract new companies to establish themselves in the region. The sheer volume of the pipeline will continue to attract new companies and inward investment interest.
Has as many of the following characteristics as possible: high-quality,	This site has all of the identified characteristics: The major investments planned for the site are expected to create a large number of jobs, with additional construction jobs to be created with the creation of the hotel/visitor centre. Co-locating all aspects of offshore wind will mean these jobs are sustainable and year-round (and therefore attract a local workforce, rather than a reliance on a mobile workforce).

Criterion	Commentary
high-GVA jobs b. innovation and R&D potential c. increased trade throughput d. contribute s to the local skills ecosystem e. high social value f. contribute s to decarbonisation g. contribute s to GF operating costs	b. FLOW is innovative in and of itself. The Cromarty Firth will be one of the first sites in the world to construct and deploy this technology. In addition, developers interested in the site have indicated their commitment to supplying innovative solutions, such as automated welding, remote monitoring and digital twins. The Port was instrumental in establishing the PowerHouse, a research, development, skills and education centre which aims to become a global centre of excellence in floating offshore wind and green hydrogen technologies. The Port expect developers in the FLOW sector to commit to R&D with a need to innovate if they are to deliver thousands of structures in a short period of time. c. The site has the potential to be a major export hub for green hydrogen, supporting the Scottish Government's target to become the leading exporter of green hydrogen in Europe. On the back of plans to build a new green hydrogen electrolyser in the Firth, the Port has received significant interest from Germany, Netherlands and Belgium, which are unable to produce the volume of green hydrogen that they need to decarbonise their own economies and wish to import hydrogen from Scotland (due to the expected cost benefits from our large wind resource). The Port of Rotterdam alone is expecting to import 18m tonnes of hydrogen p.a. to meet the demand and is currently designing a number of import terminals. d. The types of jobs required to service the offshore wind and hydrogen facilities on the site will require skilled individuals and the Port is committed to ensuring that employers on the site participate in the Green Freeport Skills Fund (e.g. by re-investing NICs savings) to grow and enhance local skills capacity. e. The impact that the projects will have on generating jobs and opportunities for local communities is expected to have positive impacts in terms of community wellbeing and inclusion. Developments at ISB will deliver high quality, long-term, green jobs in an exciting new industry which is helping to deliver net zero. Local people will be on the doorstep to take these opportunities should they wish to. The opportunity to build capacity at the cruise terminal including the visitor centre offers local communities' greater access to cruise passengers by increasing the linger time in Invergordon, potentially further opportunities for inward investment and employment opportunities – Invergordon usually welcomes more cruise passengers than any other port in Scotland, with ~220,000 expected in 2024 f. The site's contribution to the UK's offshore wind sector (energy security, and the countries net zero obligations) is potentially unparalleled. There are very few port facilities large enough to accommodate the construction, assembly and operations of these projects in Scotland. This has been highlighted by the proposed Phase 5 expansion project being shortlisted in the SOWEC Strategic Investment Model (SIM) – coming top 3, and also being provisionally awarded FLOWMIS grant funding (one of two UK ports on the primary list). The site's contribution to the hydrogen sector will help decarbonise the heating network, industry and transport. Invergordon is strategically located at the end of the gas grid, making it an important location for decarbonising the gas grid and SGN's proposed switch to 100% hydrogen by 2035. g. The landowner, the Port of Cromarty Firth, has entered into a Tax Site Delivery Agreement with the Green Freeport Company which includes obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs.

Cromarty Firth: Highland Deephaven

(a) Overview

Tax site	Cromarty Firth
Site name	Highland Deephaven
Site size	50.2 hectares
Ownership	Highland Deephaven Limited

Site overview	Highland Deephaven is a 189.7 hectares landholding located on the shores of the Cromarty Firth. It currently has one major tenant occupying 21.5 ha. There is also a small office and three existing buildings ranging from 12,000 square feet to 30,000 square feet. The two older buildings, originally aircraft hangars, are currently unoccupied and the more modern of the three buildings is on an annual lease to a logistics firm. All the land included for the purpose of the proposed Cromarty Firth Tax Site is underdeveloped. There are approximately 3.5 ha of brownfield land which was developed at the time the site was utilised as an airfield during WWII. Additionally, there is around 1.5 ha of partially hard-surfaced yard and 3 hectares of surfaced runway. Both require major development works. The remainder of the land proposed for inclusion is greenfield, currently farmed under a contracting agreement with the ability to secure vacant possession at short notice. All the land proposed for inclusion is zoned for industrial use under local planning policy.
Strategic vision	The vision for the tax site is to transform a former WWII airfield into a vital component of the economic development of Cromarty Firth, with a focus on green energy and renewables, and in particular the FLOW opportunity. The versatility of the site means it could be used for a variety of FLOW manufacturing purposes. The location benefits from good transport links directly onto the A9 Trunk Road and has the critical marine access to the Cromarty Firth necessary for FLOW manufacturing now all components are too large to be moved by road. There is also potential for a spur off the Far North Railway Line and rail halt to be created for commercial freight. The site is currently occupied by several well-established industrial and commercial units together with large areas of flat open land which is currently used for agricultural purposes.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	The proposition for this site is very closely aligned with the Green Freeport's strategic focus on the facilitation of lasting employment and regeneration opportunities for the area. To help ensure the region's competitiveness and capture the full benefits of the green energy transition, the strategic vision is to attract long-term quality tenants, for example floating offshore wind component manufacturers, who will partner with the landowners in investing in the development so that it meets tenant needs. This will result in increasing the local work force, stimulating growth for the local economy.
Is creating new economic activity.	Until recently the land at Deephaven has been managed passively. However, following a change in strategy from the landowners they are now focused on maximising the economic opportunities from the tax site, with Green Freeport status increasing its viability for development projects. The site has unique characteristics, with undeveloped, flat land with direct access to the Cromarty Firth and the main truck road. The land is versatile to suit the various needs of interested parties.
Has as many of the following characteristics as possible: a. high-quality, high-GVA jobs b. innovation and R&D potential c. increased trade	This site has all of the identified characteristics: a. The versatility of the site will likely attract a large pool of end users and subsequently a high standard of goods and services associated with the FLOW sector. The Freeport's approach to co-locating all aspects of offshore wind will mean these jobs are sustainable and year-round (and therefore attract a local workforce, rather than a reliance on a mobile workforce). b. The flexibility of the site will make it attractive to various end users, which could include companies developing innovative solutions for the green energy and the renewables sector. Developers have already expressed a commitment to supplying innovative solutions to meet the regions ambitious offshore wind capacity objectives in a short space of time. c. The site is not restricted or limited to specific types of end users. The flexible nature of the site allows it to be considered by many different types of companies with different outputs that could increase UK trade. d. High quality tenants to the tax site will mean a workforce that brings skills and expertise to the local economy. The types of jobs needed to service offshore wind and other

Criterion	Commentary
throughput d. contributes to the local skills ecosystem e. high social value f. contributes to decarbonisation g. contributes to GF operating costs	renewables facilitates will require high skilled individuals. Highland Deephaven is committed to ensuring that Green Freeport principles on Skills and Fair work are adopted for its activities. e. Attracting the workforce for potential tax site tenants, will increase the local population and development of the area. The Freeport development will deliver high quality, long term, green jobs in an exciting new industry which is helping to deliver net zero. The impact these projects will have towards generating jobs, reversing a declining population, and creating opportunities for local communities is expected to have positive impacts in terms of community wellbeing and inclusion. f. Highland Deephaven Limited is committed to seeking out opportunities with end users in the green energy and renewables sector. The site's potential contribution to the UK's offshore wind sector (energy security, and the countries net zero obligations) will be invaluable. g. The landowner, Highland Deephaven Limited, has entered into a Tax Site Delivery Agreement with the Green Freeport Company which will include obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs

CROMARTY FIRTH: Nigg Energy Park

(a) Overview

Tax site	Cromarty Firth
Site name	Nigg Energy Park
Site size	105.99 hectares
Ownership	Global Energy Group.
Site overview	- The Port of Nigg - Nigg Oil Terminal
Strategic vision	The site was established in 1972 to service Scotland's emerging oil and gas industry. Global Energy Group (GEG) acquired it in 2011 and has transformed it into a multi-sector energy facility, with investment totalling over £120m. It is now a state-of-the-art renewables hub, offering unrivalled quayside, laydown, and turnkey solutions. Nigg's deep sheltered berths, high ground bearing capacity quays and extensive storage areas make it an ideal location for the offshore renewables activity that will be required to meet the UK and Scottish Government targets for local content through ScotWind and INTOG. The vision is to deliver a phased development strategy that will culminate in the creation of a port 'superhub', with serial manufacture and systems assembly, leading the world in floating wind deployment and becoming a key player in hydrogen and nuclear SMR delivery. Part of this vision includes repurposing the Nigg Oil Terminal, which will be decommissioned and returned to GEG by the end of 2025.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	The physical characteristics at Nigg (deep sheltered berths, high ground bearing capacity quays, large open expanses of storage areas) are why it is recognised as an ideal location for the space-hungry renewables market, having previously played such an important role in supporting the build out for the oil and gas industry. The investment already made at the site, combined with a pipeline of future propositions, means there is a unique opportunity for the site to make a material contribution to the Green Freeport's strategic focus on the development of underutilised land, the facilitation of new high-value jobs, contributing to the local skills ecosystem, supporting innovative

Criterion	Commentary
	sectors and helping to deliver a fair transition to net zero. The Port of Nigg also has an unrivalled track record of successfully delivering major renewables scopes at the facility.
Is creating new economic activity.	The propositions for the site are focussed on servicing excess demand in emerging and new industries, including by allowing expansion of the port's offshore wind capabilities. The offshore wind manufacturing and assembly activities being targeted at the site will be brand new for the UK and the sheer volume of the deliverable pipeline will continue to attract new inward investment interest.
Has as many of the following characteristics as possible: - high-quality, high-GVA jobs - innovation and R&D potential - increased trade throughput - contributes to the local skills ecosystem - high social value - contributes to decarbonisation - contributes to GF operating costs	This site has all of the identified characteristics: - The investments planned for the site will be a major source of employment for local areas, including those previously employed in industries on the decline (such as oil and gas). The major investments planned for the site are expected to create 1,465 FTE jobs, plus 550 FTE jobs in construction of the projects. FTE roles have been benchmarked against typical production/manufacturing roles across sectors and within the renewables industry. The average shop floor salary is in excess of £40,000 per annum. The 'hub' approach for co-locating all aspects of offshore wind will mean these jobs are sustainable and year-round. - Developers interested in the site have indicated their commitment to supplying innovative solutions and technical excellence, for example through the state-of-the-art NOW factories capable of manufacturing the largest towers for offshore wind, and the HVDC cable factory leveraging world-leading technology for cross-linked polyethylene-insulated (XLPE) submarine cable systems which are the highest voltage in commercial operation. - While many of the opportunities on the site have predominantly been established to service the needs of the UK market, there are export opportunities especially with the customs site incentives offered as part of the Green Freeport. - The site already makes a valuable contribution to the local skills ecosystem, via the Nigg Skills Academy (a not-for-profit training collaboration with UHI). The types of jobs required to service the offshore wind and other renewables facilities on the site will require skilled individuals and GEG is committed to ensuring that inward investors adopt the Green Freeport principles on Skills and Fair Work. - The impact that the projects will have on generating jobs and opportunities for local communities is expected to have positive impacts in terms of community wellbeing and inclusion. - The propositions for the site are associated with the development of at-scale clean, sustainable energy, decarbonising major industrial sectors and accelerating the fair transition to net zero – especially in the context of the former use of the site for oil and gas. - The landowner, GEN, has entered into a Tax Site Delivery Agreement with the Green Freeport Company which includes obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs.

Cromarty Firth: Wakelyn & Dunaskaith

(a) Overview

Tax site	Cromarty Firth
Site name	Wakelyn & Dunaskaith
Site size	18.22 hectares
Ownership	Wakelyn Trust and the Dunaskaith Property Development Company
Site overview	- Foreshore east of Nigg Old Ferry Pier - Flat developable greenfield land Part of this landholding will accommodate the planned HVDC cable manufacturing facility that, for the purposes of this FBC, is captured solely within the Nigg Energy Park landholding (above).

Strategic vision	A co-located supply chain facility for Nigg Energy Park and Pitcalzean, containing the satellite firms operating in these sites. The landholding is perfectly located to enable fabrication, manufacturing, marshalling, and assembly of offshore infrastructure. The site will also have the capacity to support hydrogen and nuclear SMR delivery at the adjacent Nigg Energy Park. The Landlord has been closely involved with the successful development of industrial facilities at Nigg since 1972 and currently leases over 100 acres of land to Global Energy Nigg Ltd. This landholding, which comprises the West quay, South quay, East quay, graving dock and adjacent laying down areas of the Nigg Energy Park, is used for relevant activities for this site and the Freeport more generally.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	The developable greenfield land is perfectly situated to complement the offshore wind and hydrogen activity at surrounding sites. The pipeline of projects at the adjoining Nigg Energy Park means this site will be in high demand for businesses operating in the space-hungry renewables market. The proposition for this site is therefore critical to the Green Freeport's strategic focus on the development of underutilised land, the facilitation of new high-value jobs, contributing to the local skills ecosystem, supporting the clustering of innovative sectors, and helping to deliver a fair transition to net zero.
Is creating new economic activity.	The FLOW manufacturing activity planned for this site will be new for the UK. Propositions for the site will be servicing a market with excess demand as the UK targets 50 GW of offshore wind power generation by 2030.
Has as many of the following characteristics as possible: a. high-quality, high-GVA jobs b. innovation and R&D potential c. increased trade throughput d. contributes to the local skills ecosystem e. high social value f. contributes to decarbonisation g. contributes to GF operating costs	This site has all of the identified characteristics: a. The approach of co-locating all aspects of offshore wind activity will mean these jobs are sustainable and year-round (and therefore attract a local workforce, rather than a reliance on a mobile/temporary workforce). b. Developers in the FLOW industry have indicated their commitment to supplying innovative solutions and technical excellence to their assembly and manufacturing processes. c. As a supply chain facility, this tax site has the potential to facilitate export opportunities related to green hydrogen, supporting the Scottish Government's target to become the leading exporter of green hydrogen in Europe. d. The site's activities related to offshore wind and hydrogen will require high skilled individuals who will contribute to the local skills ecosystem. e. The impact the site will have on generating jobs and opportunities for local communities is expected to be positive in terms of community wellbeing and inclusion. Developments will deliver green jobs in innovative industries helping to deliver net zero. f. The site will help facilitate the UK's offshore wind, net zero and wider energy security objectives. The propositions on the site will be associated with clean, sustainable energy. g. The landowner, Wakelyn Trust and the Dunskaith Property Development Company, has entered into a Tax Site Delivery Agreement with the Green Freeport Company which includes obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs.

Cromarty Firth: Pitcalzean

(a) Overview

Tax site	Cromarty Firth
Site name	Pitcalzean
Site size	72.21 hectares
Ownership	Pitcalzean Farm Enterprises
Site overview	150 acres of greenfield land including foreshore. Part of this landholding will accommodate the planned HVDC cable manufacturing facility that, for the purposes of this OBC, is captured solely within the Nigg Energy Park landholding (above).
Strategic vision	A reputable and experienced port developer will build and operate new port with deep water quay to serve the needs of fixed-bottom and floating offshore wind developers pursuing ScotWind and INTOG projects off the coast of Scotland. The new port will include heavy-lift quays and sizeable yard to allow simultaneous manufacturing and/or assembly of floating foundations as well as storage and integration of WTG's onto floating foundations alongside the quay. Part of the future port estate will be leased out to manufacturers of WTG components and/or balance of plant components to be used on local projects as well as exported to other marshalling ports in the UK and Northern Europe. The vision for this site is for the Green Freeport to support further investments around the Port relating to offshore wind activities. The site has the potential to create and enable hundreds of jobs for the local community and support the wider energy transition in Scotland.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	The developable greenfield land is primed for an ambitious port development to complement the other offshore wind activity at surrounding tax sites. The pipeline of projects at the local Nigg Energy Park means the supply chain facility will also be in high demand for businesses operating in the renewables sector. The proposition for this site is therefore critical to the Green Freeport's strategic focus on the development of underutilised land, the facilitation of new high value jobs, contributing to the local skills ecosystem, supporting innovative sectors and helping to deliver a fair transition to net zero.
Is creating new economic activity.	The floating offshore wind manufacturing activity being targeted at the site will be novel for the UK. The pipeline of projects expected in relation to the renewables sector is likely to mean high demand and economic activity for this tax site.
Has as many of the following characteristics as possible: a. high-quality, high-GVA jobs b. innovation and R&D potential c. increased trade throughput	This site has all of the identified characteristics: a. The investments planned for the site will be a major source of employment, including the FLOW sector which is at the centre of the Green Freeport's proposition. The co-location of offshore wind operations will mean the jobs are sustainable and year round. b. The site's planned activity will be related to offshore wind which will require high skilled individuals who will bolster the local skills ecosystem. c. The supply chain facility within this tax site has the potential to be a major export hub for renewables. d. The types of jobs required to service the offshore wind facilities on the site will require skilled employers who will contribute to the local skills ecosystem. e. The tax site will generate jobs and further opportunities for the region, which is expected to have a positive impact on community wellbeing. f. The site will help to facilitate the UK's offshore wind, net zero and wider energy security objectives. The propositions on the site will be associated with clean, sustainable energy.

d. contributes to the local skills ecosystem e. high social value f. contributes to decarbonisation g. contributes to GF operating costs	g. The landowner, Robert Mackenzie, has entered into a Tax Site Delivery Agreement with the Green Freeport Company which includes obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs.

INVERNESS: Port of Inverness

(a) Overview

Tax site	Inverness
Site name	Port of Inverness
Site size	15.67 hectares
Ownership	Port of Inverness
Site overview	• Port of Inverness • Harbour Gait expansion area for land reclamation project • Citadel Quay North • Longman Quay • Shore Street Quay
Strategic vision	The Port of Inverness is a major economic hub in the Highlands providing a vital gateway for companies to export and import a wide variety of goods, and it has been at the heart of the city's growth and expansion. It is one of Scotland's most sheltered natural ports and as a result it can offer ships almost guaranteed access irrespective of the weather. The Port's Mission Statement is for it to "be a progressive, vibrant driver of sustainable growth for Inverness and the Highlands and to be recognised as such by both the community and industry". The vision for the site is to use Green Freeport levers to bring forward an ambitious expansion plan that at its heart is a major reclamation project known as Harbour Gait. Tax site status will greatly improve the viability of this project and support the development of plans of a pipeline of potential users.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	The Port of Inverness is already an established hub for companies with strong national and international trade links. Tax site levers will help it contribute to the Green Freeport's strategic focus by developing facilities that will be attractive to these companies allowing them to expand as well as offering a platform for new companies to establish a presence in the Highlands. In particular, with land in being in short supply, the Harbour Gait reclamation will create space for expansion and the development of new facilities. In 2008/2009, the Port reclaimed approximately 9HA to develop a new marina as well as a new quay and laydown facilities, so there is an established track record of delivering similar reclamation projects.
Is creating new economic activity.	Much of the opportunity at the Port of Inverness revolves around the creation of a new quay and associated land via the Harbour Gait reclamation project. Although several companies have expressed an interest in locating on this new land are not new companies as such, their plans

Criterion	Commentary
	for the Port will enable them to expand their activities, employ more staff and manufacture/sell/export at a greater volume and pace than is currently possible. In addition, the new land will also offer attractive prospects to those companies engaged in onshore renewable energy projects as quality industrial land is also at a premium for these projects. The proposed shipbuilding/repair facility at Citadel Quay will be a step change in that sector for Inverness, where boat repair is already present on a smaller scale, increasing employment and value added.
Has as many of the following characteristics as possible: a. high-quality, high-GVA jobs b. innovation and R&D potential c. increased trade throughput d. contributes to the local skills ecosystem e. high social value f. contributes to decarbonisation g. contributes to GF operating costs	This site has all the identified characteristics: a. The Harbour Gait reclamation scheme presents a range of opportunities for additional employment. Gael Force's current site in Inverness is c3ha (supporting 90 employees on site). The company has indicated that relocating to Harbour Gait would create the potential to increase its footprint to 10ha and support the employment of a further 50-100 members of staff. A UK boatbuilder in discussions around the potential facility, intimated that it would be their intention to recruit up to 50 highly skilled technicians for their workforce. In addition, they would be developing new technologies to undertake their work. b. Innovation is central to the opportunities being explored for the future use of the land reclaimed at Harbour Gait. Gael Force is a leading supplier of cutting-edge equipment for the aquaculture sector, including marine structures, mooring systems, and seafood. It also has a large research and development function. The proposed improvements to the Longman Quay will enable earlier adoption, and associated R&D activity, for next generation marine fuels and the decarbonisation of freight movements. c. A marine technology cluster at the Port of Inverness, made possible by tax site measures, will enable Gael Force to increase the volume of exports. Gael Force already exports its products to Canada, Spain, Costa Rica (c20% of trade) and the proposed expansion will enable it to develop their products further and out-compete Norwegian firms in sector. The increase in space at the Port will also enable the existing import and export of goods and materials to grow. d. The types of jobs required for the projects and companies that are planned for the Port of Inverness site will require skilled individuals. The Port is committed to ensuring that employers on the site participate in the Green Freeport Skills Fund (e.g., by re-investing NICs savings) to grow and enhance local skills capacity. e. The impact that the projects will have on generating jobs and opportunities for local communities is expected to have positive impacts in terms of community wellbeing and inclusion. The Port is located in an area defined in SIMD 2020 as being in the 3rd decile of most deprived locations in Scotland. f. The Port is engaging with academia in relation to decarbonisation opportunities at the facility not only in terms of its own operations but also in terms of future development opportunities. Projects such as the proposed fully-electric workboat and electric charging station will support the decarbonisation of the marine sector. g. The landowner, the Port of Inverness, has entered into a Tax Site Delivery Agreement with the Green Freeport Company which includes obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs.

INVERNESS: Longman former landfill site

(a) Overview

Tax site	Inverness
Site name	Longman former landfill site
Site size	10.50 hectares
Ownership	The Highland Council (managed as part of the Inverness Common Good Fund).

Site overview	Part of the Longman former landfill site
Strategic vision	The site adjacent to the Longman Roundabout occupies a strategic location close to the centre of Inverness. It ceased being an operational landfill 30 years ago and is now subject to significant remediation, de-contamination and enabling works. It was identified in the Inverness and Highland City Region Deal as a priority site (with c£10m in funding being made available to support remediating the site, and around £50m being spent on upgrading the Longman Roundabout). The vision for the site is to use Green Freeport levers to further accelerate the remediation of this site and the delivery of a significant electrolytic hydrogen facility. Any additional developable land at the site can be used to release land (which is in high demand) to support the construction of business units to serve the wider Inverness economy.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	The proposed establishment of a major hydrogen facility on this site is very closely aligned with the Green Freeport's strategic focus on the regeneration of underutilised land, the facilitation of new high-value jobs, contributing to the local skills ecosystem, supporting innovative sectors and helping to deliver a fair transition to net zero.
Is creating new economic activity.	Having secured a Contract Award from UK Government Hydrogen Allocation Round 1 (HAR1) in December 2023, the potential investor in this site has now submitted a HAR2 Application for 50MW (electrolysis) at Longman to enable full decarbonisation of Bairds Maltings through a direct, new-build pipeline. This represents a significant step forward towards the end point of ICFGF's contribution to the development of a wider Regional Hydrogen Hub, as captured within the Scottish Government's Hydrogen Action Plan (Hub 4). An ongoing hydrogen offtaker (Customer) recruitment campaign, underpinned by future HAR Round(s) will enable further capacity buildout at Site-2 (including refuelling station). Subject to power availability there is sufficient footprint available at Longman to enable capacity buildout to 150MW+, particularly if the adjacent SGN High Pressure Pipeline and/or its wayleaves can be repurposed for 100% hydrogen. The development of gaseous hydrogen as a new economic sector will require notable regional industrial infrastructure investment to meet clean flexible energy demand for industries fuel switching to net zero alternatives for "heavy" heat and "heavy" transport requirements, including those of the Highland Council.
Has as many of the following characteristics as possible: a. high-quality, high-GVA jobs b. innovation and R&D potential c. increased trade throughput d. contributes to the local skills ecosystem e. high social value f. contributes to decarbonisation g. contributes to GF operating costs	This site has all the identified characteristics: a. The project (and the wider Highlands network) will create high-quality green jobs and drive investment in hydrogen technology in Scotland. As Cromarty Hydrogen and the Highland Council rolls out the network, this will deliver a significant boost to GVA by creating additional jobs, stimulating investment in hydrogen supply chains in the Highlands, and generating new lines of revenue for governments and businesses. The above outcomes can be replicated through the planned future expansion of electrolyser capacity and route to market facilities at Longman. The conversion of industrial and transport fossil fuel demand to hydrogen will derive further indirect jobs via project partners and offtakers. b. Hydrogen production at scale is a nascent sector, where innovation is going to be a prerequisite of commercial success. The opportunities for innovation are greater when considering the interaction with the burgeoning offshore wind activity in the North Sea and the need for solutions to grid connectivity challenges. The development parties seek to inspire further decarbonisation in the region and support knowledge sharing in the development, operations, and maintenance of electrolytic hydrogen assets. Key to the selection of Longman as Cromarty Hydrogen's Site-2 it is adjacency to SGN's High Pressure Pipeline and SGN's Inverness Pressure Reduction Station. Regulatory change that enables hydrogen within the Gas Distribution Network would enable HPF expansion at Site-2, leading to further supply-chain expansion. c. The electrolyser capacity deployment will produce gaseous hydrogen for use within the region. During construction procured items, e.g. electrolyzers will be imported into the region. During ongoing Operations some maintenance spares including those for

Criterion	Commentary
	electrolyser stack replacement will be imported. All produced hydrogen would be used within the region. However, the Inverness & Cromarty Hydrogen Hub's aspiration is that Cromarty Hydrogen kickstarts broader socio-economic benefit by leveraging the infrastructure across the multiple ICFGF ports to encourage new energy intensive industry requiring electrolytic hydrogen to migrate into the ICF region; and establish a significantly larger scale Power-to-X opportunity in that exports hydrogen derivatives by vessel to other UK and European ports. d. The proposition represents an opportunity to upskill construction workers in hydrogen infrastructure projects and provide technicians with experience maintaining and operating a HPF. Potential for new entrants and SMEs consideration is envisaged for scopes such as temporary site facilities, scaffolding/rigging, bulk/aggregate supply, waste removal, PPE supply, catering, site ground works, surveying, landscaping, and more. e. The development would reinvigorate a sizable area of previously un-occupiable land within the Inverness city limits, providing jobs and economic growth for the region. Enabling electrolytic hydrogen production and consumption in the Inverness & Cromarty Firth Region, and subsequently the wider Highlands, will help reduce the prevalence of fossil fuels with its related greenhouse gas emissions and particulate air pollution. There will be opportunities for the local community to be involved in the planning, development and operation of the HPF will facilitate improved social acceptance of the project and improve local well-being by creating local employment opportunities, improving social mobility and addressing population decline. f. At-scale hydrogen generation has been identified as a key pillar in the UK's decarbonisation strategy. Enabling electrolytic hydrogen production, dispensing and distribution from Longman will directly decarbonise local businesses and vehicle fleets. g. The landowner, the Highland Council, has entered into a Tax Site Delivery Agreement with the Green Freeport Company includes obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs.

INVERNESS: Inverness Campus

(a) Overview

Tax site	Inverness
Site name	Inverness Campus
Site size	10.9 hectares
Ownership	Highlands and Islands Enterprise (HIE)
Site overview	Inverness Campus
Strategic vision	Since it opened in 2015, the Inverness Campus has been a real success story for the city. It is a world-class purpose-built business location with pioneering facilities, bringing together businesses, researchers, academia and scientists with a focus on technology-based, high growth, fair work companies committed to sustainability, as reflected in the criteria which all potential tenants must meet. Phase 1 of the Campus has seen a number of innovative businesses in the life sciences, digital healthcare and technology sectors establish themselves and is now nearly full. The Life Sciences Innovation Centre (LSIC), an exciting joint venture between HIE and UHI alongside NHS Highland to create an innovative human health and life sciences multidisciplinary healthcare research and commercial hub serving the Highlands and Islands region, has recently been delivered. There is now insufficient commercial space to service all current general enquiries and, accordingly, HIE has progressed the delivery of ~3,000 sqm of self-build space at Plot 14 which would be suitable for a development of around 8 individual units. HIE is now progressing plans for the development of a second phase of the Campus, which would significantly increase the

	opportunity for further development. The vision for the site is to use Green Freeport levers to accelerate the build out of these new sites and support further commercial activity.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	Inverness Campus is a key contributor to the Green Freeport's strategic focus on innovation and creation of high-quality jobs life sciences, appropriate parts of the offshore wind and hydrogen supply chains that are consistent with the planning consent for the land (class 4) and other businesses employing technology and advanced manufacturing systems. It brings together businesses, researchers, academia, clinicians and scientists operating in life sciences, digital healthcare and technology and renewables. It supports economic activity across the Highlands and Islands and strengthens key sectors, beyond renewables. Using Green Freeport levers to accelerate its expansion offers a real opportunity to build on its previous success and expand into new sectors that add value through developing the use of technology and deploying advanced manufacturing systems,
Is creating new economic activity.	The development of remaining underdeveloped phase 1 plots and creation of a Phase 2 will create brand new employment space with a focus on organisations involved in innovative, cutting-edge research, development and light manufacturing.
Has as many of the following characteristics as possible: a. high-quality, high-GVA jobs b. innovation and R&D potential c. increased trade throughput d. contributes to the local skills ecosystem e. high social value f. contributes to decarbonisation g. contributes to GF operating costs	a. Entities that have expressed an interest in establishing on Inverness Campus are committed to bringing new high-quality jobs with above average salaries. b. The current assessment criteria for the Campus means that tenants or plot owners must operate innovative, high-value add companies in the life-sciences, healthcare, and technology sectors. As the Campus expands the targeted sectors will include renewables and those involved in light advance manufacturing in line with e objectives of the Green Freeport. c. The high-value add activity on the Campus stands out in the region and a number of businesses are involved in export activity. Further development of the Campus will attract ancillary services to renewable energy industries which will also likely export. d. One of the potential projects on the Campus is a Science Technology Engineering and Maths (STEM) Centre, a permanent home for a science skills academy in Inverness. The owners of the site are committed to ensuring that plot owners in the tax site within the Campus participate in the Green Freeport Skills Fund (e.g., by re-investing NICs savings) to grow and enhance local skills capacity. e. This development would further progress the reinvigoration of a sizable area of previously underutilised land within the Inverness city limits, providing space for new businesses, high value jobs and thus economic growth for the region. The Campus Phase 1 area provides a high quality and popular community facility which is open 24/7 throughout the year. Future developments will be required (through an agreed design code) to be of a similar high quality built and natural environment with biodiversity at its core and class-leading in terms of active travel and low emission transport. f. As a non-departmental public body, HIE is committed to carbon reduction and ultimately progressing to net zero. Since the inception of Inverness Campus, environmental measures have been prominent including considerable investment in sustainable travel facilities, variety of measures to encourage biodiversity, innovative SUDS system, and inclusion of renewable energy sources with individual buildings including the installation of air source and ground source heat pumps. Plans for future development of the Campus include exploring the set aside a substantial area of ground to support carbon reduction through arrays of PV panels and further ground source energy units. g. The landowner, HIE, will be entering into a Tax Site Delivery Agreement with the Green Freeport Company which will include obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs.

Inverness: Aurora Energy

(a) Overview

Tax site	Inverness
Site name	Aurora Energy
Site size	0.45 hectares
Ownership	Aurora Energy Services
Site overview	• Renewables Centre of Excellence • Wind Service Operations and Maintenance • Blade repair facility
Strategic vision	The vision for the tax site is to complete the transformation of a former timber yard into a multifaceted site which combines technology, expertise and training services for the renewables sector. Inverness is the global headquarters for Aurora Energy Services. Aurora is the first company in the Highlands to provide GWO certified training for wind turbine technicians which will help support the growth of the region's renewable wind industry as well as the local skills ecosystem. The training centre will also be targeted to assist the oil and gas workforce in acquiring additional skills to enable them to be part of the energy transition. Aurora Energy Services offers a full cycle service to clients in the Renewable Energy space including Training, Engineering, Project Management and Onsite Execution of varied work scopes. Aurora will be active in both Operations and Maintenance of existing assets and construction of new projects. Its Inverness facility will be the HQ of the Wind Services business line and will be the focal point for data collection and analysis for Wind Scopes executed globally by Aurora.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	The proposition for this site is very closely aligned with the Green Freeport's strategic focus on the facilitation of new high-value jobs, contributing to the local skills ecosystem and helping to deliver a fair transition to net zero.
Is creating new economic activity.	Aurora launched the training centre offering Basic Safety and Technical courses in Q4 '23. These will be followed by advanced courses which are highly desired by OEMs and Operators (Such as Hub Rescue, Enhanced First Aid and Blade Repair), Inclusion in the freeport will allow Aurora recruit specialists and deliver these training courses sooner, adding to the local skills base. In addition, Aurora has already recruited a number of young people and offered them multidisciplinary training to become versatile members of Aurora's site teams, the incentives offered by Green Freeport status will allow it to recruit and train more young people and with more expediency.
Has as many of the following characteristics as possible: - high-quality, high-GVA jobs - innovation and R&D potential	This site has all of the identified characteristics: Renewable energy jobs are high quality and contribute to GVA through employment growth, skilled workforce requirement, technology advancements, economic impact from a local work force, regional development (in particular in rural areas), and resilience (vs the boom bust cycle of fossil fuel industries). In the Highlands, Aurora envisage that a job in Wind Energy is a career for life given that has across the Green Freeport there is a projected a minimum 50 year pipeline of work in this sector.

Criterion	Commentary
c. increased trade throughput d. contributes to the local skills ecosystem e. high social value f. contributes to decarbonisation g. contributes to GF operating costs	b. As Aurora is building an all-encompassing wind turbine O&M capability, it will need to be at the forefront of technological development within the sector. This will be most evident in intelligent data systems to record, analyse and present inspection data, development of advanced blade repair techniques and composite construction and the use of AI and drones to improve efficiency and safety in operations. c. There is no business in the Highland region offering the comprehensive range of Wind Turbine Services and Training that Aurora will. In addition, Aurora will have an international footprint, bring international opportunities to its workforce as well as local scopes. d. The Renewables Centre of Excellence will train individuals into highly skilled technicians capable of executing multidisciplinary scopes through the renewable sector. This multiskilling is important for job resilience. In addition, in the Aurora group, highly skilled techniques such as welding and Blade Repair will be mainstays of its service offering. e. The impact that the projects will have on the Inverness area is expected to be positive in terms of employment rates, local skills and net zero contributions f. Aurora Energy Services is a renewables company which has the Just Energy Transition at the core of everything they do. The company is committed to supporting clients who are also on the journey to a more sustainable future. g. The landowner, Aurora Energy Services, will be entering into a Tax Site Delivery Agreement with the Green Freeport Company which will include obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs.

Ardersier: Port of Ardersier

(a) Overview

Tax site	Ardersier
Site name	Port of Ardersier
Site size	153.49 hectares
Ownership	Ardersier Port Limited, the land owner, is owned by Haventus (Ardersier) Limited, itself a subsidiary of Haventus Limited.
Site overview	Ardersier Port is a deep-water sheltered port to be restored and re-opened, with 380-acres (153 hectares) of brownfield development land available within the tax site. The site is under development. Buildings currently onsite are temporary office and welfare accommodation (Portacabins), a storage shed for plant and equipment and a security Portacabin at the front gate. There is a plant storage shed, a management office accommodation portacabin and the site team's welfare facilities and office accommodation.
Strategic vision	The port has a rich history in serving the energy sector and was home to McDermott's Fabrication Yard from the 1970s through to 2001, where many North Sea Oil and Gas platforms were manufactured. The site has been vacant since this time and, with the growth in the offshore wind industry, has been identified as prime for development to deliver critical infrastructure required by the industry. The landowner is re-opening and transforming the site into a world leading energy transition facility. Ardersier Port will provide facilities to support fixed and floating wind developers to carry out staging and integration, foundation fabrication, component manufacturing and maintenance requirements. While it is anticipated support of offshore wind will fully utilise the site for

	some time, it is possible in the longer term that the site may be utilised for the recovery and repurposing of obsolete energy assets and liabilities into next generation green assets and materials. Ardersier is the largest unused brownfield site in the region. Supported by investment of up to £300m by American investors Quantum Energy Partners and £100m credit facility from the UK Infrastructure Bank and the Scottish National Investment Bank, the construction programme and future operation of the port are going to have a substantial positive impact on the local economy. This has the potential to create and enable thousands of jobs and reskilling opportunities for the local community and support the wider energy transition in Scotland and around the world. This is supported by a series of wider investments in the immediate area including the significant new residential development at Tornagrain.

(b) Tax site compliance

Criterion	Commentary
Aligns with GF's strategic focus.	The proposition for this site is very closely aligned with the Green Freeport's strategic focus on the facilitation of new high-value jobs, contributing to the local skills ecosystem and helping to deliver a fair transition to net zero. Dependent on the site's customer mix, there is high potential for activities delivered at Ardersier to contribute to innovation, both in existing and new energy technologies.
Is creating new economic activity.	The Ardersier site is unique in its scale as a 380 acre (153 hectare) onshore site, being developed from brownfield status. As a single site, it has the potential, for example, to support multiple gigawatts of ScotWind delivery in close proximity to development sites. Ardersier will work collaboratively with other ports in the Green Freeport area to strengthen its potential as an offshore wind cluster. The benefits accruing to the port as a tax site will reinforce this creation of new economic activity. As a customs site (subject to authorisation), simplified customs and VAT rules will lower the cost, administrative burden and barriers to development for its customers developing locations in the UK North Sea, lowering the cost of offshore wind development in the UK. Enhanced tax treatment is likely to enable the landowner, Haventus, to make job-creating investments in subsequent phases faster than might otherwise be the case. And the provision of additional resources to the local council and training services will provide a more sustainable local economy in which the landowner can recruit from.
Has as many of the following characteristics as possible: a. high-quality, high-GVA jobs b. innovation and R&D potential c. increased trade throughput d. contributes to the local skills ecosystem e. high social value f. contributes to decarbonisation g. contributes to GF operating costs	This site has all of the identified characteristics: a. The investments planned for the site will be a major source of employment for local areas, including the FLOW sector which is at the centre of the Green Freeport's proposition. b. Future, potential, occupants of the site have indicated their commitment to supplying innovative solutions. As a result, there is a high potential for services which contribute to innovation, both in existing and new energy technologies. c. Ardersier Port will primarily support offshore wind developers, whose activity would usually take place outside the UK's Exclusive Economic Zone (EEZ). If Ardersier Port were to also become a Custom Site, the Green Freeport's customs, planning and VAT benefits could lower the administrative and cost burden for developers, increasing their propensity to utilise these facilities instead of ports overseas. d. The completed port will have the potential to create and enable thousands of jobs and upskilling opportunities for the local community. When it was a McDermott fabrication site, it was the largest employer in the Inverness area, and Haventus consider that it has the potential to employ a similar number following build-out. The new jobs could include high-tech roles involved in renewable energy manufacturing and assembly. In common with the other members of this

Criterion	Commentary
	Green Freeport, Haventus is committing to dedicate a substantial portion of the savings that would otherwise accrue to the port to support skills training in the local area. e. The impact the tax site propositions will have on the Highlands region is expected to be positive in terms of employment rates, local skills and net zero contributions. f. Haventus transforms traditional ports into energy transition facilities, accelerating the wider energy transition sector. The landowners are committed to making a positive environmental impact whilst enabling net zero through their offshore wind industry contributions g. The landowner, Haventus, entered into a Tax Site Delivery Agreement with the Green Freeport Company which includes obligations to make contributions to the Company's operating costs. In time, activity on the site will generate incremental NDR which will also be able to support these costs.

Appendix 2 – Planning status of tax sites

Table 95 - Planning status of tax sites

Site	Identified in LDP	Relevant extracts from LDP.	Name of relevant planning applications	Status of application	Further planning needs, activities and estimated timescales
Invergordon Harbour including Henderson Yard, and railway sidings (Cromarty Firth (Invergordon) Tax Site))	Yes (part)	Invergordon port is identified as a strategic employment site within the relevant Highland area local development plans - the adopted 2015 Inner Moray Firth Local Development Plan (aIMFLDP) (allocations IG5 and IG11) and the soon (June 2024) to be adopted replacement Inner Moray Firth Local Development Plan 2 (IMFLDP2) (allocations IG03 and IG05). These allocations support a variety of uses but primarily business and industry. Development of the land is subject to a range of plan listed developer requirements most of which relate to natural heritage interests. In recognition of the ICFGF Cromarty Firth (Nigg) Tax Site extending outwith the IG05 allocation boundary at Invergordon Harbour, the IMFLDP2 Examination Reporter added textual support for “green freeport proposals” outwith the allocation boundary subject to an early and inclusive masterplanning process with key agencies and other stakeholders, and the same developer requirements listed within allocation IG05.	The Port of Cromarty Firth can develop the Port under the 1973 Act including sections 14.1, 35 and 36 of the Cromarty Firth Port Order Confirmation Act 1973 (as amended) and benefits from permitted development rights classes 29 or 35 of the Town and Country (General Permitted Development) (Scotland) Order 1992 (as amended). Marine licencing and Crown Estate Scotland consent is required to facilitate any developments. Change of use of former railway sidings land to form storage yard for offshore renewables (case reference 22/00127/FUL).	Planning permission 22/00127/F UL granted 20 May 2022.	There has been ongoing discussions between the Planning Authority and Port of Cromarty Firth regarding the planned development of the site, including the creation of wet storage and quayside facilities. This has included advice on the likely planning considerations which will arise at planning applications stage and the mechanisms, such as place-based tools, which can be implemented to streamline the planning process - see the written submission for more information on the proposed approach. Port of Cromarty Firth has also actively engaged with the Planning Authority throughout the IMFLDP2 plan review.
Ardersier (Ardersier Tax Site)	Yes	All of the Tax Site land at Ardersier sits within land allocated for development in the Council’s relevant local development plans - the Highland wide Local Development Plan 2012 (Policy 14), the adopted 2015 Inner Moray Firth Local Development Plan (aIMFLDP) (allocation WH1) and the soon (June 2024) to be adopted replacement Inner Moray Firth Local Development Plan 2 (IMFLDP2) (allocation WH01). These allocations support a mix of uses but primarily business and industry. Development of the land is subject to a range of plan listed developer requirements most of which relate to natural heritage interests.	No recent, relevant planning applications.	Not applicable	There is ongoing communication between Haventus and the Council and relevant Key Agencies in relation to works underway and planned
Deephaven (Cromarty Firth (Deephaven) Tax Site)	Yes	All of the Tax Site land at Deephaven sits within land allocated for development in the Council’s relevant area local development plans - the adopted 2015 Inner Moray Firth Local Development Plan (aIMFLDP) (allocations EV6 and EV7) and the soon (June 2024) to be adopted	Various applications for minor enhancements to existing Spoolbase.	Various applications for minor enhancements to	

Site	Identified in LDP	Relevant extracts from LDP.	Name of relevant planning applications	Status of application	Further planning needs, activities and estimated timescales
		replacement Inner Moray Firth Local Development Plan 2 (IMFLDP2) (allocations EV05 and HD01). These allocations support business and industrial uses. Development of the land is subject to a range of plan listed developer requirements most of which relate to natural heritage interests.		existing Spoolbase.	
Nigg Energy Park (Cromarty Firth (Nigg) Tax Site)	Yes (part)	Nigg and the Cromarty Firth is acknowledged as a strategically important location for the energy sector within the following national plans: • National Planning Framework 4 (NPF4), 2023 – pages 125 - 128 • National Renewables Infrastructure Plan (NRIP) 2014 Nigg is identified as a strategic employment site within the relevant Highland local development plans - the Highland wide Local Development Plan 2012 (Policy 23), the adopted 2015 Inner Moray Firth Local Development Plan (aIMFLDP) (allocation NG1) and the soon (June 2024) to be adopted replacement Inner Moray Firth Local Development Plan 2 (IMFLDP2) (allocation NG01). These allocations support a variety of uses but primarily business and industry. Development of the land is subject to a range of plan listed developer requirements most of which relate to natural heritage interests. A more detailed Nigg Development Brief (2013) provides statutory Supplementary Guidance covering land at Nigg. In recognition of the ICFGF Cromarty Firth (Nigg) Tax Site extending outwith the NG01 allocation boundary at Nigg, the IMFLDP2 Examination Reporter added textual support for “green freeport proposals” outwith the allocation boundary subject to an early and inclusive masterplanning process with key agencies and other stakeholders, and the same developer requirements listed within allocation NG01.	Planning permission exists for the following developments: • 21/02981/FUL - Construction of buildings for fabrication of offshore renewables structures. Granted permission in September 2021. • 19/02777/FUL - Construction of new East Quay including dredging and piling, and the formation of laydown area. Granted permission in September 2019 and currently under construction. • 22/00373/FUL - Relocation of inert material from the land adjacent to the new East Quay. Permission granted on 28th April 2022 and works are ongoing. Hazardous Substances consents Marine licenses are also in place. Major Pre-Application and EIA Scoping was undertaken in 2020 for the land to the east of Nigg Yard for an alternative commercial development. Whilst for a different proposal, it provided input from a range of public sector agencies and an indication of the key planning considerations. 23/04662/FUL – Erection of High Voltage Cable Manufacturing Plant (granted permission 22 February 2024). 24/01586/FUL – Extension of East Quay external storage area via change of use of 2.6 hectares of land at former training school	Earlier planning applications permitted. 24/01586/FUL pending.	Global Energy Group have maintained active ongoing dialogue with the Highland Council planning department and Marine Scotland to advise them of the planned development of the site, and to receive feedback and guidance from the planning authority as opportunities firm up. The Planning Authority has also advised on the mechanisms, such as place-based tools, which can be implemented to streamline the planning process - see the written submission for more information on the proposed approach. Global Energy Group have also actively engaged with the Planning Authority throughout the IMFLDP2 plan review.

Site	Identified in LDP	Relevant extracts from LDP.	Name of relevant planning applications	Status of application	Further planning needs, activities and estimated timescales
Pitcalzean Farm and additional land adjacent to Nigg Energy Park (Cromarty Firth (Nigg) Tax Site)	Yes (part)	Nigg and the Cromarty Firth is acknowledged as a strategically important location for the energy sector within the following national plans: • National Planning Framework 4 (NPF4), 2023 – pages 125 - 128 • National Renewables Infrastructure Plan (NRIP) 2014 Nigg is identified as a strategic employment site within the relevant Highland local development plans - the Highland wide Local Development Plan 2012 (Policy 23), the adopted 2015 Inner Moray Firth Local Development Plan (aIMFLDP) (allocation NG1) and the soon (June 2024) to be adopted replacement Inner Moray Firth Local Development Plan 2 (IMFLDP2) (allocation NG01). These allocations support a variety of uses but primarily business and industry. Development of the land is subject to a range of plan listed developer requirements most of which relate to natural heritage interests. A more detailed Nigg Development Brief (2013) provides statutory Supplementary Guidance covering land at Nigg. In recognition of the ICFGF Cromarty Firth (Nigg) Tax Site extending outwith the NG01 allocation boundary at Nigg, the IMFLDP2 Examination Reporter added textual support for “green freeport proposals” outwith the allocation boundary subject to an early and inclusive masterplanning process with key agencies and other stakeholders, and the same developer requirements listed within allocation NG01.	Major Pre-Application and EIA Scoping was undertaken in 2020 for the land to the east of Nigg Yard for an alternative commercial development. Whilst for a different proposal, it provided input from a range of public sector agencies and an indication of the key planning considerations.	Planning application not yet submitted	There has been ongoing discussions between the Planning Authority and the landowners of Pitcalzean Farm and additional land adjoining Nigg Energy Park regarding the planned development of the site. This has involved providing advice on the likely planning considerations which will arise at planning applications stage and the mechanisms, such as place-based tools, which can be implemented to streamline the planning process - see the written submission for more information on the proposed approach. The landowners of the site have also actively engaged with the Planning Authority throughout the IMFLDP2 plan review.
Inverness Harbour (Inverness Tax Site)	Yes (part)	The expansion and diversification of Inverness Harbour is supported within both the adopted 2015 Inner Moray Firth Local Development Plan (aIMFLDP) and the soon (June 2024) to be adopted replacement Inner Moray Firth Local Development Plan 2 (IMFLDP2). The IMFLDP2 allocates (site reference INC06) 30 hectares of land at and adjoining Inverness Harbour primarily for harbour related business and industrial uses subject to a list of developer requirements. In recognition of the ICFGF Inverness Tax Site extending outwith the INC06 allocation boundary at the harbour, the IMFLDP2 Examination Reporter added textual support for “green freeport proposals” outwith the allocation boundary subject to an early and inclusive masterplanning	The Port of Inverness can develop the port under provisions of the Inverness Harbour Revision (Works) Order 205 and the Inverness Harbour Revision (Constitution) Order 2012. It is noted there is an ongoing consultation about the broadening of permitted development rights in Scotland. Developments that do not fall under permitted development rights will be subject to normal planning processes. No recent, relevant planning applications.	Planning application not yet submitted	There has been ongoing discussions between the Planning Authority and Port of Inverness regarding the planned development of the site. This has included advice on the likely planning considerations which will arise at planning applications stage and the mechanisms, such as place-based tools, which can be implemented to streamline the planning process - see the written submission for more information on the proposed approach. Port of Inverness has also actively

Site	Identified in LDP	Relevant extracts from LDP.	Name of relevant planning applications	Status of application	Further planning needs, activities and estimated timescales
		process with key agencies and other stakeholders, and the same developer requirements listed within allocation INC06.			engaged with the Planning Authority throughout the IMFLDP2 plan review.
Longman former landfill site (Inverness Tax Site)	Yes	The Former Longman landfill site is identified as a strategic brownfield regeneration priority within the relevant Highland local development plans, including the Highland wide Local Development Plan 2012 (Policy 5), the adopted 2015 Inner Moray Firth Local Development Plan (aIMFLDP) (allocations IN8 and IN13) and the soon (June 2024) to be adopted replacement Inner Moray Firth Local Development Plan 2 (IMFLDP2) (allocations INC9 and INC11). These allocations support a variety of uses but primarily business and industry. The IMFLDP2 Examination Reporter strengthened the list of developer requirements for the land area including the need for masterplanning and fuller consideration of potential coastal flood risk.	Erection of a waste transfer facility (application reference 22/01413/FUL).	Planning permission granted 10 August 2022 and development completed.	The Highland Council has carried out extensive work on the former landfill site to inform the preparation of the Local Development Plans and the planned development of the site for uses such as hydrogen production plant. This has included ongoing input from the Planning department to understand the planning needs, activities and estimated timescales - see the written submission for more information on the proposed approach.
Inverness Campus (Inverness Tax Site)	Yes	The importance of the UHI and its Inverness Campus for the north of Scotland forms an integral part of the vision and strategy as set out in the Council's local development plan with support for it to become a world-class business location for life sciences, digital healthcare and technology. Specific references include the Highland wide Local Development Plan 2012 (Policy 10), the adopted 2015 Inner Moray Firth Local Development Plan (aIMFLDP) (allocation IN81) and the soon (June 2024) to be adopted replacement Inner Moray Firth Local Development Plan 2 (IMFLDP2) (allocation INE08). These allocations support a variety of uses, primarily business related, across all of the Inverness Tax Site land parcels within the Campus.	Education Campus comprising non-residential institution, business, residential institutions, assembly and leisure uses (application reference 09/00887/PIPIN) - consented and being built out in phases. Phase 1: 55,000 sqm of building footprint consented, 45,000 sqm underway or completed; Phase 2: 2,950sqm consented, no construction as yet. Further Phase 2 planning application for an additional 40,000 sqm of space scheduled for late 2022. Additional 34.5 Hectares of land available for a Phase 3 development around 2025. No recent, relevant planning applications.	Previous applications permitted.	There has been ongoing discussions between the Planning Authority and UHI regarding the planned development of the site. This has included advice on the likely planning considerations which will arise at planning applications stage and the mechanisms, such as place-based tools, which can be implemented to streamline the planning process - see the written submission for more information on the proposed approach. UHI has also actively engaged with the Planning Authority throughout the IMFLDP2 plan review.

Appendix 3 – Wider interventions

Table 96 – Wider interventions

Investment Description	Strategy/Objectives	Investment Value	Funder	Timescales	Geography	Fit with GFP Objectives	Process alignment for with GFP	Risks
Highland Investment Plan	Long term infrastructure investment programme to transform the asset base of Highland Council by unlocking substantial capital funding and creating centres of community service delivery.	£800 million over 10 years and £2 billion over 20 years	The Highland Council	2024/25 to 2044/45	Highland-wide	Funding will support development of infrastructure which is critical for ensuring the area is attractive to existing and new residents and to build the skilled workforce requirements of the Green Freeport.	Project run by THC, stakeholder in Green Freeport	Medium – project is seeking to secure future funding
Strategic Investment Model (SIM)	Prioritisation, support and acceleration of supply chain and infrastructure in support of ScotWind and INTOG	To be determined	Scottish Government	From 2024/25	Scotland	Supports supply chain and broader infrastructure development.	Management model involves Enterprise Agencies	Medium – no funding is yet allocated
Green Industries Growth Accelerator (GIGA)	Support expansion of low carbon manufacturing supply chains across the UK. Full fund covers H ₂ , CCUS, OSW and civil nuclear	£1.1 billion fund with up to £390 million allocated to OSW supply chains and electricity networks	UK Government	From 2024/25	UK	Funding will support development of infrastructure and supply chain across UK.	Expected to involve Enterprise Agencies	Medium – political realignment, ensuring that region receives a proportionate allocation
Scottish Government Offshore Wind support	Maximise the economic benefits from renewable energy projects, grow the renewable energy supply chain and ensure a just transition for suppliers across all green energy technologies.	Up to £500m	Scottish Government	From 2024/25	Scotland	Funding will support development of grid infrastructure and supply chain across Scotland. GF sites are expected to be prime candidates for funding.	Funding will be managed through Enterprise agencies.	Medium – process and priorities are still to be determined
Northern Innovation Hub	The Northern Innovation Hub (NIH) builds on and accelerates current business innovation support services in the region, enabling an increased focus on	UKG £11m	Inverness Highland City Region deal	Programme ends 2027	Highland wide	The Northern Innovation hub supports the innovation policy objectives of the Green Freeport through the delivery of a series of	Project run by HIE with funding streams delivered by THC; both stakeholders in GFP	Low – project is close to completion

Investment Description	Strategy/Objectives	Investment Value	Funder	Timescales	Geography	Fit with GFP Objectives	Process alignment for GFP	Risks
	sectoral opportunities which will build global competitive advantage.					projects to create an innovative culture in the region		
Science Skills Academy	The Science Skills Academy (SSA) aims to transform the uptake of Science, Technology, Engineering and Maths (STEM) subjects in schools.	SG £3m	Inverness Highland City Region deal	Programme ends 2027	Highland wide	The Science Skills academy encourages STEM learning to the workforce of the future which in turn will enable Investors in the Green Freeport to access the skills they need.	Project run by HIE; stakeholder in GFP	Medium – project is seeking to secure future funding
LSIC	This project will establish a centre of excellence in innovation and commercialisation in health and life sciences, based on the Inverness campus phase 1.	UKG £9m	Inverness Highland City Region deal	Programme ends 2027	Highland wide	LSIC builds on the innovation offering of the Inverness Campus Life Sciences cluster and will be able to support inward investors with commercialisation and innovation.	Project run by HIE; stakeholder in GFP	Low – project is well established
Affordable Housing	The initiative will offer young people attractive, affordable housing in the highlands to enable them to stay in the region, retaining a young and vibrant workforce for the Highlands.	SG £100m	Inverness Highland City Region deal	Programme ends 2027	Highland wide	The Affordable Housing Project has enabled young people to remain in the region which is key to delivering the workforce requirements of the Green Freeport.	Delegated Working Group	Low – project is well established
Inverness Castle, Bught Park and Northern Meeting Park	Development and Regeneration of 3 key cultural and tourism assets in the centre of Inverness	UKG £36m LUF UKG £1.63 Growth Deal SG £15m Growth Deal	Levelling Up and Inverness Highland City Region Deal	End March 2025	Inverness	These projects fit with the levelling up and regeneration them of the green freeport by increasing the attractiveness of Inverness as a place to live and work for both exiting residents and those looking to relocate to the area.	Delegated Working Group	Low – project is close to completion
Manufacturing Innovation Centre for Moray (MICM)	MICM will foster innovation, productivity and digital adoption in local manufacturing businesses		Moray Growth Deal	Operational in 2024/25	Moray and wider region	The project supports with Levelling up policy objectives and supports businesses with innovation, productivity and digital adoption.	Project run by HIE; stakeholder in GFP	Low – project is entering delivery phase
Place Based Investments,	Funds will be used to support place-based projects. UKSPF will	UKG £808k	UK Shared Prosperity Fund	End March 2025	Highland wide	This project fits with the Levelling Up/Regeneration policy objective	Delegated Working Group	Medium – political risks regarding

Investment Description	Strategy/Objectives	Investment Value	Funder	Timescales	Geography	Fit with GFP Objectives	Process alignment with GFP	Risks
regeneration, and town centre improvements	therefore sit alongside and be managed together with other area-based funds to support projects identified in Area Place Plans.					and makes places more attractive to existing and new residents.		continuation of funds
Active travel enhancements and small-scale transport projects	Masterplans / Audits have been produced for 10 settlements across Highland with wide range of active travel and sustainable transport projects identified.	UKG £860k				This project delivers on the net zero objectives by reducing the requirement for journeys to be made using vehicles.	Delegated Working Group	Low
Area Place Plans	Development of Area Place Plans to set out the vision, ambition and priorities for people and place in a particular area. Will assist with the identification priority projects and ensure community-based funds are utilised to best use when developing/delivering projects.	UKG £200k				This project fits with the Levelling Up/Regeneration policy objective and makes places more attractive to existing and new residents. These place plans form the rationale for future investments in the localities and may inform NDR spend.	Delegated Working Group	Medium – reduced funding available to local authority
Strengthening local entrepreneurial ecosystems	Bring the many private, third and public sector organisations who are active in the Highlands supporting businesses together to determine whether new innovative opportunities exist to align and co-ordinate effort	UKG £275k				This project aims to enhance innovation in the region.	Delegated Working Group	Low – support is well established and being aligned with GFP support.
Expert business advice and support programmes, local and regional	Provide access to specialist advisors to provide additional targeted support – linked and aligned with business development grant support.	UKG £375k				This project will deliver primarily on the Trade and Inward Investment and Innovation themes but may also deliver on net zero if that advice was sought.	Delegated Working Group	Low – support is well established and being aligned with GFP support.
R100	The Scottish Government committed to enabling access to superfast broadband – speeds of at least 30Mbps – to every home	SG £700m	Scottish Government and Private Sector	End 2028	Scotland wide	The R100 programme will provide the digital infrastructure for the Highland region required to make	Delegated Working Group	Low – project is now focused on remaining remote locations and will

Investment Description	Strategy/Objectives	Investment Value	Funder	Timescales	Geography	Fit with GFP Objectives	Process alignment with GFP	Risks
	and business in Scotland by 2021. The 2021 policy commitment was met via the three strands of R100 activity – the R100 contracts, the R100 Scottish Broadband Voucher Scheme (SBVS) and ongoing commercial coverage.					the region an attractive place to live and work		have little impact on GFP
SSE Network Upgrades 2030	A programme of new and upgraded network infrastructure to allow offshore wind energy to come ashore. This requires new stations, overhead lines and subsea cables.	<i>Private Sector £10bn</i>	SSEN	2030	North Scotland	This programme from SSEN will unlock the potential of Scotwind and therefore investment in the Green Freeport.	Delegated Working Group	High – delays to network infrastructure will constrain grid, affect OSW and supporting investment cases and delay investment

Appendix 4 – Financial Case – supporting information

25-year financial estimates

A separate attachment includes 25-year financial estimates for the Green Freeport's operating costs, revenues and net operating positions. These are presented both without and with inflation impacts taken into account. All figures in this file have been rounded to the nearest £1,000 and therefore are subject to some minor inconsistencies when consolidated. As with the tables in the Financial Case, figures for FY2023/24 are shown and represent actual costs incurred and revenues received in the prior year. When inflationary impacts are included, the modelling suggests that there may be a requirement for a modest contribution from the net retained NDR fund earlier. The forecasts for net retained NDRs (refer to the Financial and Strategic Cases) suggest that there will be ample funds available to cover this gap.

Inflation assumptions

In order to undertake a long-term nominal forecast of Green Freeport costs and revenues (see above), the following assumptions have been used for long-term inflation:

- CPI: 2% per annum
- RPI: 3% per annum
- UK wage index: 5% per annum

The tables below set out which index has been used for each cost and funding item, alongside other relevant assumptions. As a general rule, conservative assumptions have been applied to reflect the 'upper' range of the potential impact of inflation on costs. The assumptions will be reviewed against economic indicators and adjusted as required.

Table 97: Operating costs – inflation assumptions

Operating cost item	Inflation assumption
Staffing and recruitment	
Recruitment	Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Staff salaries	Consolidated salaries for all Green Freeport staff have been indexed against a UK wage annual index rate representing a growth rate of 5% year on year.
Expenses and travel	Ongoing cost has been indexed against RPI+2 representing a growth rate of 5% year on year.
Overheads and administration	
Office costs	Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
IT & telephone provision	Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Standalone IT support	Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Office bills	Ongoing cost has been indexed against CPI +2 representing a growth rate of 4% year on year.
Insurance	Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Outsourced HR services	Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Outsourced Finance services	Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Company secretarial / professional services	Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Audit	Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Communications and stakeholder engagement	

Communications and stakeholder engagement		Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Consultancy support		
Business Development Advisors	Case – Lead	One-off costs in FY2023/24 and FY2024/25 which have been committed therefore no indexation has been applied.
Business Development Economic Advisors	Case –	One-off costs in FY2023/24 and FY2024/25 which have been committed therefore no indexation has been applied.
Legal support		Ongoing cost has been indexed against RPI +1 representing a growth rate of 4% year on year.
Further consultancy support		Ongoing cost has been indexed against RPI +1 representing a growth rate of 4% year on year.
Accountable Body / Rating Authority costs		
Accountable Body / Rating Authority costs		Ongoing cost has been indexed against CPI representing a growth rate of 2% year on year.
Contingency		
Contingency		Ongoing allowance has been indexed against CPI representing a growth rate of 2% year on year.
Contribution to cash reserves		
Contribution to Going Concern Reserve		One-off cost which has been committed therefore no indexation has been applied.

Table 98: Funding sources – inflation assumptions

Funding source item	Inflation assumptions
Government seed revenue funding	As this is short term public sector funding no indexation factor has been applied.
Consortium fundraising	Received funding in FY2023/24, and some committed in FY2024/25, therefore no indexation factor has been applied.
Landowner contributions via Tax Site Delivery Agreements	Tax Site Delivery Agreements will have scope to be adjusted for inflation. Ongoing revenue funding has been indexed against CPI representing a growth rate of 2% year on year.
PowerHouse income	Ongoing revenue funding has been indexed against CPI representing a growth rate of 2% year on year.
Contribution from reserves	No indexation factor has been applied as this short term revenue source addresses a funding gap.
Contribution from net retained NDR	Ongoing balancing figure therefore no indexation figure has been applied. Note, as set out in section 1ci3, it is expected that retained net NDR will begin to flow after the Assessor has valued the developments
Pool of generated NDRs	NDR growth is indexed against CPI representing a growth rate of 2% year on year from FY2026/27.