

Consultation on Section 36 Application etc on the Viking Wind Farm

Briefing note from Head of Economic Development on the economic importance of the project (and related Transmission Grid Connection) to Shetland.

1 Introduction

- 1.1 The following notes bring together information which is already in the public domain regarding economic and social impacts of the Viking Wind Farm project and are intended to be read in conjunction with the Head of Planning's report PL-44-10-F 'CONSULTATION ON SECTION 36 APPLICATION ETC ON THE VIKING WIND FARM'.
- 1.2 The Head of Planning's report concerns an application for consent under s36 of The Electricity Act 1989, The Electricity Works (Environmental Impact Assessment) (Scotland) Regulations 2000. The Scottish Ministers will at the same time as making a determination on the s36 application make one in relation to deemed planning permission. The Council, as planning authority, has been consulted on the above proposal and is expected to provide its opinion, taking account of all relevant Council policies and the views of the community.
- 1.3 The planning service report does not set out the economic impacts of this development and further notes that this is a political perspective.
- 1.4 Whilst acknowledging the view of the planning service that Scottish Ministers take account of the 'precautionary principle' as set out in paragraph 132 of the Scottish Planning Policy 2010, to protect the natural environment. This must be considered in the context of sustainable economic growth where planning authorities are encouraged to take a positive approach to development, recognising and responding to economic and financial conditions in considering proposals that could contribute to economic growth. This is consistent with Scottish Planning Policy, Paragraph 33, Sustainable Economic Growth.

2 Economic Benefits

- 2.1 Chapter A17 of the project's Environmental Statement Addendum summarises its socio-economic effects.
- 2.2 In order to assess the approach taken by the project to evaluate the socio-economic effects, I have referenced the Fraser of Allander Institute, University of Strathclyde, discussion paper '*The importance of revenue sharing for the local economic impacts of a renewable energy project: A Social Accounting Matrix approach*' October 2008, which uses the Viking Wind Farm project as the subject of the discussion, and *The Shetland Regional Accounts, 2003*. I believe the approach taken by the project to evaluate the socio-economic benefits and the magnitude of these benefits to be fair.

2.3 Further, The evidence confirms that the predicted socio-economic effects are potentially transformational at a local level and of important significance at a national level.

2.4 The operational phase plus the construction of the project is expected to bring about a total value to Shetland (at today's prices) in the order of £930 million. (The anticipated direct value to the Shetland economy is expected to total £878.6 million from the operational life, plus £54.5 million over the 5 year construction phase).

2.5 The £878.6 million of value predicted to Shetland from Viking wind farm's operational phase is based on an extrapolation of the following annual income estimates of the project over its expected operational life (up to 23 years):

| Benefit | Average per annum over 23 years |
|-------------------------------------|---------------------------------|
| Land rental | £ 7.8 m |
| Community Levy | £ 1.3 m |
| Profit to Shetland Charitable Trust | £23m |
| Profit to other shareholders | £ 2.6m |
| Income to Shetland based suppliers | £ 2.3m |
| Direct annual wages | £ 1.2m |
| TOTAL | £38.2m |

2.6 The total estimated income to Shetland Charitable Trust over the predicted 23 year life of the project is £529 million.

2.7 The anticipated Full Time Equivalent (FTE) employment figures directly associated with the project are as follows:

| | |
|--|---------------------------|
| Direct jobs from operations | 42 |
| Jobs created in other support services | 23 |
| Construction jobs | 174 (average for 5 years) |

2.8 From the direct wealth generated from the project it is estimated that a further 370 jobs are created and sustained through wise reinvestment by the Shetland Charitable Trust and other investors and beneficiaries.

2.9 The total overall predicted number of FTE jobs created and sustained in Shetland is therefore:

$$42 + 23 + 370 = 435 \text{ jobs (plus 174 for 5 years in construction)}$$

2.10 In addition to the foregoing direct benefit predictions to the Shetland economy, as is widely known; Viking Wind Farm will trigger an interconnector between Shetland and the wider UK electricity transmission grid.

- 2.11 One of the strategic aims of the Council is to strengthen and diversify Shetland's economy, and to develop its renewable energy industry.
- 2.12 Given the scale of Shetland's renewable energy resources, and the insatiable demand for electricity generated from renewable sources, it is my view that Shetland should seek to benefit economically, in the fullest possible way.
- 2.13 It is clear to me that Shetland cannot do this without an interconnector to provide an export mechanism for renewable electricity.
- 2.14 It is equally clear to me that such a connection will not be sanctioned by the electricity regulator, Ofgem, without projects of sufficient scale to economically justify investment in such a connection. The Viking Wind Farm project proposal is of sufficient scale, in my view to trigger the connection.
- 2.15 The development of a marine renewable energy sector in Shetland is also a strategic priority.
- 2.16 Pelamis Wave Power and Vattenfall (Swedish state owned electricity company – 5th largest electricity generator in Europe) are poised to develop a £60million wave energy project in Shetland. This project will fall if an interconnector is not approved. An interconnector will not be approved if the Viking Wind Farm is not approved.
- 2.17 Marine Scotland and the Crown Estate have announced a seabed leasing round in locations along Shetland's Western seaboard. This is being done in consultation with the Scottish Governments Saltire Prize. These initiatives are designed to provide a catalyst to marine technology research and development.
- 2.18 Marine energy R&D is a significant business in its own right. Orkney has in excess of 100 jobs already associated with marine R&D. Without a grid connection to the mainland there is little prospect beyond scratching the surface, of this strategic potential being realised in Shetland.
- 2.19 I am also aware of significant inward investment interest from a German company called Enertrag. This centres round an onshore wind proposal to potentially be located in South Yell. Enertrag's interest is entirely predicated on the provision of an interconnector between Shetland and the UK electricity grid. The provision of the interconnector is entirely predicated on the Viking Wind Farm project.
- 2.20 The limitation of the Shetland electricity grid is currently 'strangling at birth' opportunities for Shetland businesses, communities and individuals to benefit from generous feed in tariff's for renewable electricity sold onto the grid. An interconnector would be a catalyst for grass roots up developments of this nature to happen in Shetland. The rest of the country

benefits and moves forward whilst Shetland developers are faced with an ongoing technical barrier to entry.

3 Policy

3.1 This note has identified the main economic impacts if the application were to proceed. The application should also be considered in respect to the Councils Corporate Plan and Economic Development Policies. I refer to the Wealthier outcomes of the Council's Corporate Plan 2010-2012, in particular, 'Our renewable energy resources will be used as a stimulus for economic growth, we will:

- Apply continuous pressure to get a positive decision made about an inter-connector between Shetland and Mainland Scotland;
- In the meantime, negotiate better access to the local grid, for the benefit of individuals and communities involved in generating renewable energy;
- Assist in development of marine renewables, including negotiation with the Crown Estate about access and cost; and
- Maximise opportunities for servicing offshore renewables, including the development of infrastructure (ports & vessels) and skills.

Also, Economic Development Policy Statement 2007-2011

Policy 17 Continue the development of the Viking Energy community wind farm project.

Pledges Establishment of a fixed interconnector to the UK mainland by 2012.
Gain full planning permission for Viking Energy.
Viking Energy community wind farm project to be at construction stage by 2011.

4 Summary

4.1 It is my view that the Viking Wind Farm project and related interconnector are of paramount economic importance to Shetland, the project will provide substantial intergenerational economic & social benefits which should be considered alongside the Head of Planning's report.