

## ONE Meeting – Minister for Business, innovation and Skills

Friday 31 March 2017

<b>Date and Time of Engagement</b>	Friday 31 March 2017  11:30 – 12:30
<b>Where</b>	Opportunity North East  11 Queens Gardens  Aberdeen  AB15 4YD  01224 061110
<b>Key Message</b>	The North East has a highly talented oil and gas workforce with skills that can be utilised in a wide range of different sectors.  New high growth entrepreneurial opportunities may arise from diversification from oil and gas – but equally from emerging business opportunities in the nascent sectors in the region such as digital and biotherapeutics
<b>Who</b>	<b>Sir Ian Wood GBE, Chair of ONE Oil and Gas Sector Board</b> <b>Jennifer Crow, Chief Executive of Opportunity North East</b> <b>Patrick Machray, Vice Chair of ONE and also Chair of the Food, Drink &amp; Agriculture Sector Board</b>
<b>What</b>	Meeting to discuss ONE issues, including the Life Sciences Hub development, the Enterprise & Skills Review and possible regional partnership approaches.
<b>Why</b>	Sir Ian invited you to meet to discuss Opportunity North East. ONE are the private sector partner in the Aberdeen City Deal and work closely with Scottish Government enterprise agencies.  Sir Ian is stepping down as Chair of ONE Oil and Gas Board following its next meeting. Trevor Garlick (formerly of BP and a member of the Energy Jobs Taskforce) will take on the role of Chair. Sir Ian also is also stepping down from Oil and Gas

	Technology Centre (OGTC) post March – Archie Kennedy (formerly of Nexen) is taking on that Chair role.
<b>When</b>	<b>11:30 – 13:00, Friday 31 March 2017</b>
<b>Supporting Official</b>	[REDACT] , <b>Oil and Gas Policy</b> , [REDACT] [REDACT] , <b>OCEA, Office of Chief Economic Adviser</b> , [REDACT]
<b>Media Handling</b>	<b>No media planned for meeting.</b> A first person piece is running in Energy Voice focusing on Total Value Added of the oil and gas sector.
<b>Arrival</b>	<b>Officials will call [REDACT], prior to arrival to meet the Minister and escort him to the office.</b>
<b>Briefing Contents</b>	<b>Annex A – Agenda and Key Discussion Points</b> <b>Annex B – Background on ONE</b> <b>Annex C – Oil and Gas Core Brief</b> <b>Annex D – Brief on Prof. Kemp Paper</b> <b>Annex E – Enterprise and Skills Review</b> <b>Annex F – Life Sciences in Scotland</b> <b>Annex G – Aberdeen City Region Deal</b> <b>Annex H – Biographies</b>

**AGENDA**

1. Welcome and Introductions – 5 minutes

[REDACT]

2. Wrap up - 5 minutes

[REDACT]

## KEY DISCUSSION POINTS:

[REDACT]

### Renaissance Vision

On Monday 27 March ONE reported on its first full year of operation and held an inaugural annual event, Towards Economic Renaissance, in Aberdeen. The event highlighted progress in key areas including Oil and Gas, Food and Drink, Tourism and Life Sciences. Strong messages were given about the need to both maximise Oil and Gas to the benefit of the local economy but also grow these other sectors.

### Key Lines

- The Scottish Government is committed to Maximising Economic Recovery from Scottish waters, alongside a focus on MER it is important to consider how we can make sure that the benefits from the remaining opportunities in the North sea are captured in a sustainable and inclusive way.
- You have just come from a meeting with a company (EC-OG) demonstrating the innovation and expertise necessary to succeed in the Scottish oil and gas industry and globally.
- We agree on the importance of growing non-oil and gas sectors in the North East, and we are keen for the Scottish Government and our Enterprise Agencies to continue to work with ONE to achieve this, we also recognise that the oil and gas workforce are highly talented with skills that can be utilised in a wide range of different sectors.

[REDACT]

[REDACT]

### Key Lines

A Strategic Board will **oversee and strategically lead** the joining up of business support by our enterprise agencies, We will also work to ensure this is aligned with Business Gateway, local authorities and other providers of business support .

The Scottish Government has made it clear it will continue to listen to people's views as we progress to the next stage of the review as we are committed to doing all we can to boost Scotland's economy.

The Cabinet Secretary for Economy, Jobs and Fair Work set out in a statement yesterday that:

The powers of the four agency boards (SE, HIE, SDS and SFC) - including their names, functions and structures, will remain unchanged. And said " Far from diminishing the role of the agencies, I want to strengthen their capability and encourage greater collaboration. The Strategic Board will assist the work of the four agency boards."

Phase 2 of the Review, expected to run from November 2016 to April 2017, is being taken forward through nine inter-linked projects. This includes a project on regional partnerships

the regional partnership project will explore how regional partnerships, by tapping into local assets and opportunities along with national strengths and experience, can help drive additional economic growth for Scotland.

SG have been working closely with COSLA and local authorities in Ayrshire, as well as with the national agencies and other key stakeholders like SCDI in developing this project. **A meeting is being scheduled with SG, COSLA and representatives of Scotland's cities to reflect on experience and lessons from establishing regional partnerships to oversee implementation of city deals.** This experience will be reflected in the conclusions of the phase 2 work on regional partnerships.

---

## Life Sciences.

Life sciences is a key sector of the Scottish economy as highlighted in Scotland's Economic Strategy.

Life sciences is a tremendously important sector for Scotland. In 2014, the wider sector turnover was £4.3 billion, with GVA at £2 billion. It employs 37,200 people across 719 organisations<sup>1</sup>. The life sciences in Aberdeen City and Shire, however, only accounts for 5.9% of the Scottish life sciences workforce (ref *Aberdeen City & Shire Life Sciences Framework for Growth Biggar Economics*)

[REDACT], Director Health, Life and Chemical Sciences represents SE on the Life Sciences Sector Board.

**The Bio Therapeutics Innovation Hub** - ONE's vision is to create a successful and growing Life Sciences cluster in the Aberdeen area that focuses on the proactive creation, transformation, development and retention of high growth businesses. The vision will be achieved by providing a growth environment in the Bio-therapeutics Innovation Hub on the Foresterhill Health Campus.

[REDACT]

[REDACT]

---

## Scottish Government support for the North East.

The North East has been disproportionately affected by the downturn in the oil and gas industry.

Unemployment in Aberdeen City/Shire, previously outperforming the rest of Scotland, has been on an increasing trend since late 2014.

---

<sup>1</sup><http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors>

The Energy Jobs Task Force, Transition Training Fund, Decommissioning Challenge Fund, business resilience support and other mechanisms support businesses and workers in the oil and gas sector.

At the heart of the Aberdeen City deal is the £180m Oil & Gas Technology Centre, which is based in Aberdeen and was opened by Mr Wheelhouse on 8 February.

New high growth entrepreneurial opportunities may arise from diversification from oil and gas - clean technologies, nuclear decommissioning, etc. – but equally from emerging business opportunities in the nascent sectors in the region such as digital and biotherapeutics.

Our competitive business rates package targets support where it is most needed, with a recent additional allocation of around £9.8m to cap business rates increases for certain properties in Aberdeen and Aberdeenshire. Councils are able to apply further rates reductions, and we continue to work with Aberdeen City and Aberdeenshire Councils to inform this consideration.

SG supports local authorities in their management and delivery of **Business Gateway (BG)**, the first point of contact for all publicly funded advice to all businesses in Scotland.

Opportunity North East (ONE) was launched in December 2015, following extensive consultation with the region's business community and discussion with the public sector. It is the private sector's response to the challenge of maximizing the oil and gas opportunity for the region long term and rebalancing the region's economy to achieve sustainable prosperity.

ONE has a Leadership Board and four sector Boards, each with its own strategy, budget and objectives.

Sector boards are:

- Oil and Gas
- Food, Drink and Agriculture
- Life Sciences
- Tourism

The Oil and Gas sector board is managed by Sir Ian Wood (also the lead champion for Aberdeen region City Deal)

Sir Ian is stepping down as Chair of ONE Oil and Gas Board following its next meeting. Trevor Garlick (formerly of BP and a member of the Energy Jobs Taskforce) will take on the role of Chair. Sir Ian also is also stepping down from Oil and Gas Technology Centre (OGTC) post March – Archie Kennedy (formerly of Nexen) is taking on that Chair role.

ONE held an AGM/update in Aberdeen on Monday 27 March highlighting progress in key areas including Oil and Gas, Food and Drink, Tourism and Life Sciences. Strong messages about the need to both maximise Oil and Gas to the benefit of the local economy but also grow these other sectors,

The investment of £1.4 million in projects in its first year has secured match funding from public sector and industry partners of £1.6 million, demonstrating the catalytic effect of ONE's private sector led approach to economic development.

ONE will invest up to £5 million in the next year to grow the food, drink and agriculture sector; build the region's life sciences industry; maximise the oil and gas opportunity; and evolve business tourism to exploit new business and leisure opportunities

First year highlights include:

- ONE's industry sector boards have enthusiastically and effectively engaged with industry across the region and identified opportunities that will deliver business growth and secure high quality employment for the medium to long term.
- Energy and commitment from local board members across the four sectors is unique and critical to ensuring success in achieving the renaissance vision for north east Scotland

**Subsea**

Strong message that Aberdeen is at the heart of our global subsea strength (a point Sir Ian made at the ONE AGM meeting on Monday 27 March).

**Diversification**

Scottish Enterprise is working with ONE on Oil & Gas diversification with a particular focus on supporting non account managed companies to identify and realise specific opportunities in targeted sectors.

**Decommissioning**

Discussions underway between Scottish Enterprise and ONE on potential joint funding for growth programme to promote decommissioning opportunities and capabilities specifically within the North East. Potential SE support for that being considered.



**Issue:**

- **BP have begun talks with Ineos AG to sell the Forties pipeline, one of the most important pieces of oil infrastructure in the UK North Sea.** On March 17 the Scottish Government issued a statement: “We are following developments closely, but commercial discussions about the sale of the Forties Pipeline System are a matter for BP and Ineos” ... “With up to 20 billion barrels of oil and gas remaining in the North Sea, extending the life of critical infrastructure such as the Forties Pipeline System should be a key priority”
- **On 27 March first oil has been confirmed from the Maersk Oil-operated Flyndre field – production is expected to peak at around 10,000 bopd - this development will allow Flyndre to achieve MER from the Clyde field whose field life will be extended into at least 2023.**
- **On 7 March, Oil & Gas UK (OGUK) published their Business Outlook 2017:**
  - \* Oil and gas production continues to rise (increased by 5% in 2016)
  - \* Unit costs are improving (fallen by half over the last two years).
  - \* Exploration remains at record lows
  - \* Industry forecast total spend of just over £17 billion this year, around 20% lower than last year.
  - \* Supply chain companies have seen an average 30% fall in revenues over the last two years.
- **On 8 February, the First Minister launched a £5 million Decommissioning Challenge Fund (DCF)** to provide opportunities for the Scottish supply chain to benefit from oil and gas decommissioning. GMB have criticised DCF money as a “drop in the ocean” on GMS (9 Feb).

**Top Lines**

- The **North Sea still holds significant potential with up to 20 billion boe remaining**, but the industry highlights that further action is needed to encourage investment.
- There are still many opportunities in the North Sea but maximising them will require a concerted effort from everyone – industry, governments and the new regulator.
- We will continue to stand alongside Scotland’s oil and gas industry, doing all that we can to improve collaboration, cooperation and innovation – creating a more competitive sector as well as further developing its status as a global centre of oil and gas expertise.
- However, we are under no illusions about the challenges facing the sector, but welcome the fact that **production is increasing and operating costs are falling** – reflecting the significant investment in recent years and the efforts by industry to reduce costs and increase efficiency.
- **The £5m Decommissioning Challenge Fund recognises that decommissioning is an emerging, but growing, activity in the North Sea**, with £17.6 billion expected to be spent in the North Sea over the next decade.
- **The key economic and fiscal levers remain with the UK Government.** The Scottish Government remains committed to the oil and gas industry during these challenging times.
- The **Energy Jobs Taskforce (EJTF) is supporting Scotland’s oil and gas sector** - bringing together key partners to maximise employment opportunities for those in the industry.

### **The key economic levers remain with the UK Government, and further support is urgently required**

- The UKG first committed to reforming decommissioning tax relief in Dec 2014 in their *Driving Investment* plan, and their 2016 March Budget made similar proposals.
- The OGUK Business Outlook highlights the urgent need for fresh capital investment to stimulate activity and maximise economic recovery. Steps must be taken now to incentivise investment and exploration, which would be of particular help to the supply chain, facing the greatest pressures.
- It is clear that without greater investment and activity we risk losing vital capacity and skills that will support production and ensure we maximise economic recovery from the North Sea.
  - **Action is required to improve access to decommissioning tax relief**, ensuring that the right assets are in the right hands, and **deliver the UK commitment to provide loan guarantees** - of vital importance to both the supply chain and ensuring critical infrastructure remains operational.
  - With around £17.6 billion expected to be spent in the North Sea over the next decade on decommissioning, the **UK should join Scotland in funding projects to help secure work and cut costs in this emerging field.**

### **First Minister launched a £5 million Decommissioning Challenge Fund (DCF) to provide opportunities for the Scottish supply chain to benefit from oil and gas decommissioning**

- The DCF will support infrastructure upgrades and innovation in salvage and transport methods at Scotland's ports and harbours. [Funding is available in Financial Year 2017/18]
- The DCF will also encourage engineering scoping work at key sites to build business cases that will attract further private investment.
- The DCF will deliver a key Programme for Government commitment to ensuring that decommissioning is executed in a safe, environmentally sound and cost effective manner and supports the ambitions outlined in our draft Energy Strategy and Scottish Enterprise's Decommissioning Action Plan.  
The Scottish Government will make further funds available in future years once business cases have been developed to support larger scale projects.

### **We launched a £12 million Transition Training Fund (TTF) to support individuals and help the sector retain talent on 1 February 2016.**

- The fund, now in operation for a year, will **operate for three years**. Latest figures show **more than 1,800 people have had applications approved from the fund**.
- Training programmes procured by the TTF will also **create around 340 employment opportunities across Scotland**, with **the latest tranche supporting 425 opportunities**.
- The TTF augments the work of the Energy Jobs Taskforce - already providing support through **PACE** and other measures such as the **Adopt an Apprentice initiative**.
- It is important that the TTF continues to address tangible economic opportunities, rather than simply offering speculative training - on this basis, the funding has already surpassed its initial aim of supporting over 1,000 participants each year.

### **The Energy Jobs Taskforce (EJTF) remains focused on supporting those affected today but, at the same time, is looking to the future to lay foundations for a vibrant industry for decades to come**

- **The taskforce has met 13 times**, most recently the 22 March.
- The PACE programme has focused significant efforts in the North East – **4 PACE job events aimed at the oil and gas industry have been attended by 3,500 people to date. A 5<sup>th</sup> event took place on 29 March.**
- The Elevator Fresh Start programme has supported **the creation of 64 new businesses in the north east of Scotland**, originating from original contact at PACE events.
- From March 2015 to April 2016, **Scottish Enterprise has engaged directly with over 800 oil and gas companies via 36 events.** These include workshops and programmes and 4 industry networking events

**We have also provided a further £12.5 million to support innovation and business resilience**

- This included £10 million of SE funding to **help firms reduce risks associated with carrying out research & development. To date** around 78 innovation projects with a total project value of around £16 million having benefitted from **around £7 million** of Scottish Government support so far.
- £2.5 million was set aside for **business resilience reviews**, providing targeted support from industry experts, **with over £2.5 million committed investment so far.**
- SE & HIE are providing practical assistance to the supply chain and have run **6 Resilience in Oil and Gas Events**, welcoming 217 delegates from 144 companies, to hear from experts on strategy, operations, finance and market resilience

**Our draft Energy Strategy conveys a clear message to the oil and gas industry – the recovery of North Sea oil and gas as a highly regulated source of hydrocarbon fuels will continue to be a priority for this government for decades to come.**

- We remain committed to maintaining domestic oil and gas exploration and production, and **Maximising Economic Recovery.** For the first time, our Energy Strategy clearly articulates this within the context of our climate change objectives.
  - Over the past five decades, **North Sea production** has established an industry that has generated over £330 billion in tax revenue and currently supports around 124,500 jobs in Scotland.
  - The sector provides high-value employment, the engineering and technical bedrock for our transition from fossil fuels, and stable supply of our energy demands for decades to come.
  - Around **three quarters of total energy consumption in Scotland is supplied by oil and gas.**
  - As a result of advances in technology, many developing here in Scotland, new and innovative ways of using hydrocarbons are emerging. This will be a continuing opportunity for decades to come with new energy sources and technologies such as Hydrogen and CCS having the potential to substantially reduce the cost of decarbonisation.
-

**ANNEX D: Prospects for Activity in the UKCS to 2050 under “Lower for Longer” Oil and Gas Prices and the Unexploited Potential - Aberdeen Centre for Research in Energy Economics and Finance (ACREEF) – 1 March 2017.**

---

## **Background**

- Professor Alex Kemp’s latest paper in the University of Aberdeen’s North Sea Economics research series will be published on Wednesday 1st March 2017.
- The paper examines the potential output and activity from the UKCS over the period 2017-2050 under a number of assumptions – including price, cost, technology, fiscal, and exploration activity.
- The paper makes no forecasts of tax revenues from the North Sea over the study period.
- It is expected this paper will pick up media interest, as was the case with previous ACREEF papers looking at the long term prospects of the UKCS. In particular, it may be drawn out that estimated cumulative **production is around half of the “up to 20 billion barrels” stated by Oil and Gas UK.**

## **Key findings of the paper**

- **The study finds that the cumulative production under a \$60 price scenario (in today’s money) and significant capital rationing will be 10.75 billion barrels of oil equivalent (boe).**
- **With (less likely) very serious capital rationing cumulative recovery would be 9.45 billion boe. Under a \$50 price scenario with significant capital rationing total recovery is only 8.79 billion boe, and with very serious capital rationing is only 7.2 billion boe.**
- These figures are significantly below the maximum estimated recoverable of 20 billion boe as estimated by Oil and Gas UK in their Economic Report 2016.
- A previous study by Prof Kemp in December 2012 estimated cumulative production of 17.5 billion barrels by 2050.
- The production profiles for all scenarios on price and return on investment follow a continuously declining curve from a peak in 2018.
- The study is dependent on a number of assumptions about oil and gas prices, exploration rates, rates of return, technology, cost assumptions and the fiscal regime.
- The report makes clear that there is a “***very large unexploited potential***” ranging from 5.6 billion boe under the \$60 dollar price scenario with significant capital rationing, and up to 8.25 billion barrels with \$50 price and very serious capital rationing. This “***indicates both the challenges and opportunities facing the industry, the OGA, the OGTC and the OGIC***”
- The paper notes that a combination of further productivity improvements and price increases can make a major difference to the overall economic recovery from the UKCS, and that “***Development of the unexploited potential would also greatly enhance the fortunes of the supply chain***”, with up to £100 billion of field investment and total expenditures increasing by over £175 billion.
- The modelling reflects the low exploration rates in recent years, but the report notes that “**an increase in the exploration effort could also have a significant effect on longer term activity and economic recovery from the UKCS**”
- The study also notes the “***growing relative and absolute importance of decommissioning activity***” as a result of a decline in new field investment activity and the acceleration of dates at which the economic limit of fields is reached.

## **Key lines to take**

- **The report makes clear the North Sea has a bright future, continuing to produce billions of barrels of oil and gas in the decades ahead under current conditions. On top of this, it also highlights the importance of ensuring we create the optimum environment to realise the very large unexploited potential of up to another 8 billion barrels.**
- **This is why the Scottish Government continues to do everything within its devolved powers to support the industry, including jointly funding the £180 million Oil and Gas Technology Centre to help unlock the North Sea's potential.**
- **However, the key fiscal levers sit with the UK Government, and action at next week's Budget is critical to ensure this potential is realised. The Scottish Government has called for measures to stimulate exploration, which the report highlights could have a significant effect on longer term activity and economic recovery from the UKCS. Alongside this, the Budget should introduce measures to ensure that the right assets are in the right hands and to stimulate investment and protect critical pieces of infrastructure to help unlock up to £100 billion of new field investment in unexploited discoveries.**

### Top Line

It is essential we do not lose sight of our aim of giving our businesses and individuals the right access and support to national services which will help to boost Scotland's economy and deliver our **ambition of Scotland ranking among the top quartile of OECD countries** in terms of productivity, equality, wellbeing and sustainability.

[REDACT] |

### **ISSUE: FUTURE OF HIE**

- Decision to establish Strategic Board has led to significant media and political interest, including a Press and Journal campaign to save HIE and HIE Board. This has been backed by Greens, Conservatives and, most vocally, the Lib Dems.
- Professor Lorne Crerar's paper on the structure of the Strategic Board was published on 23 February, leading to accusations of "control from the centre" by opposition parties in media.
- On March 17, the Press and Journal covered a report by the Royal Society of Edinburgh expressing "grave reservations" on the governance proposals.
- HIE will continue to be locally-based, managed and directed providing dedicated support to the local economy.
- The Cabinet Secretary for Economy, Jobs and Fair Work and I have repeatedly given assurances that HIE will be in a position to continue to carry out its functions and provide its valued services to the Highlands and Islands.
- The new arrangements will both protect the unique service that HIE delivers for our Highland and Island economies and enhance support available to businesses, employers and employees across the region

### **ISSUE: FUTURE OF SFC**

- Concerns about the future of the existing SFC Board have been raised by Universities Scotland, UCU, NUS and other stakeholders in relation to protecting academic freedom and universities' independence.
- [REDACT]
- **The SFC is not being abolished. We will maintain a national, strategic body which allocates funding independently of Ministers to our colleges, universities and for research.**
- The Scottish Government values the work of the SFC and, in particular, the expertise and evidence-based expert advice it offers in relation to matters across the FE and HE sectors.

### **The establishment of the new Board will not affect the autonomy of Scotland's universities or how they are governed.**

- This Government recently strengthened the definition of academic freedom in our 2016 Higher Education Governance Act. We will continue to work closely with Universities Scotland and the sector to ensure we secure the best possible vehicle to deliver on our ambitions.
- We do not envisage any risk to ONS reclassification through our ambitions to establish a single, strategic board and have had confirmation of this at official level

**We received over 300 responses to our consultation, with a range of organisations showing support for a single overarching board**

- **Scottish Enterprise** called for the creation of a ‘**Scottish Strategic Economic Leadership Board** with powers to prioritise the work of agencies and drive new ways of working’.
- **Skills Development Scotland** called for a permanent ‘**National Sustainable Economic Development Board**’.
- **The University of Strathclyde** called for a ‘**Strategic Board at a Scotland-wide level** to exercise strong leadership and reinforce collaboration and connectivity across Government and its agencies and with industry and universities at the table.’
- **Colleges Scotland** called for ‘**an overarching Enterprise and Skills Board for Scotland**’.
- Many others, including the Federation of Small Businesses, SCVO, the Scottish Local Authorities Economic Development Group, Universities Scotland and HIE themselves suggested that **the current system is overly complex and there is a need for much better co-ordination and improved strategic alignment.**
- The agencies directly affected by the Enterprise and Skills Review will **each retain their separate legal status.**
- The Strategic Board will ensure that all agencies continue to deliver local and national priorities to deliver better economic and social outcomes for all Scotland.

**Business Support work stream**

SG supports local authorities in their management and delivery of **Business Gateway (BG)**, the first point of contact for all publicly funded advice to all businesses in Scotland:

- In 2015-16, in the Aberdeen City and Shire region, BG supported 1,163 businesses to start up, over 316 additional businesses directly benefitted from more intensive one-to-one assistance for growth growth and a further 157 advisory and expert help initiatives have been delivered under BG's range of local service interventions.

SE account management activity would indicate that the region’s business base is appropriately represented within the different growth stages, however this is still heavily dominated by Oil and Gas related companies:

[REDACT]

- Business Gateway; Scottish Local Authorities Economic Development Group (SLAED); and Society of Local Authority Chief Executives (SOLACE) are all part of the project team taking the business support workstream forward.

[REDACT]

**regional partnerships workstream**

It is not anticipated that Ministers will have a direct role in individual regional partnerships.

It is anticipated that elected local officials will have a formal role in regional partnerships where local parties have agreed to come together for a particular purpose. This may vary depending on the structure of a regional partnership and local circumstances informing the focus of the partnership.

An important strand of the regional partnership project is exploring how the approach of national agencies to engaging a regional partnership may evolve. National agencies have a key contribution to offer regional partnerships and the phase 2 report will comment further on this.

We are working with a wide range of stakeholders in taking forward the regional partnership project, including: COSLA (Cllr Hagan and senior officials); SLAED; Improvement Service; national agencies; Ayrshire Councils; Cities; SCDI (Brendan Dick and officials)

---



**ISSUE: Life sciences is a key sector of the Scottish economy as highlighted in Scotland's Economic Strategy. Scotland has a thriving life sciences community. Recognised for the distinctive capabilities of our business base and research institutions, international reputation and potential for significant growth and creation of high value jobs.**

### **KEY POINTS**

**The sector plays an important role in producing economic benefits for Scotland as well as its ability to improve the quality of care and health for people in Scotland and globally**

- Life sciences is a tremendously important sector for Scotland. In 2014, the wider sector turnover was £4.3 billion, with GVA at £2 billion. It employs 37,200 people across 719 organisations<sup>2</sup>.
- Since 2010 the life sciences sector has seen a 29% growth in turnover and 24% growth in GVA.
- Business Enterprise Research and Development (BERD) spending in the Life Sciences was £285 million in 2015. This represents 32.7 per cent of the total BERD spend in Scotland.<sup>3</sup>

**The Scottish Government is committed to providing a supportive environment for businesses.**

- Scotland's industry-led life sciences strategy, the introduction of Enterprise Areas for Life Sciences, initiatives such as the Health Innovation Partnerships, and the Innovation Centre Programme, have enhanced support for the sector and sought to link it more effectively to the National Health Service in Scotland.
- The Life Sciences Scotland (LSS) Industry Leadership Group (formerly LiSAB) brings together key figures from the private and public sectors to drive industry wide collaboration and alignment. As well as the industry and ministerial chair, there are currently 14 industry members; 6 public sector members and 2 Associate members.
- The Life Sciences Strategy for Scotland 2025 Vision, the strategy refreshed by LSS, was published on 2 February 2017 and outlines the ambition of the industry to make Scotland the location of choice for the life sciences community and its mission is to increase the industry's contribution to the Scottish Economy to £8bn by 2025.<sup>4</sup>

**Scotland is at the forefront of life sciences attracting international attention and is an ideal place to invest.**

---

<sup>2</sup><http://www.gov.scot/Topics/Statistics/Browse/Business/Publications/GrowthSectors>

<sup>3</sup><http://www.gov.scot/Resource/0051/00513789.pdf>

<sup>4</sup><http://www.lifesciencesscotland.com/>

- 28 March 2017, Aberdeen University spin out, Elasmogen has won £1.2 million worth of funding to progress its work to develop treatments for eye diseases. ([Source: The Scotsman – 28 March 2017](#))
- 3 March 2017, NovaBiotics, the clinical-stage anti-infectives biotechnology company based in Aberdeen announced that Woodford Investment Management Ltd has invested an additional £3 million in a private placement. This follows earlier investment of £5 million announced in January 2015. ([Source: Novabiotics website – 3 March 2017](#))
- 27 July 2016, Global Pharmaceutical firm GSK announced a £110m investment at its site in Montrose to build a state of the art production facility to manufacture respiratory medicines. This is part of a £275m investment by GSK to expand three UK sites. ([source: BBC news - 27 July 2016](#))

### **Scotland has a very strong academic base in Life Sciences and Medicine**

- The latest QS World University Rankings (2015/16) lists two Scottish Universities amongst the best 100 universities in the world for Life Sciences and Medicines; the University of Edinburgh is ranked 28th, the University of Glasgow is 46<sup>th</sup>. (The University of Dundee is 116)<sup>5</sup>
- The Times Higher Education rankings for Life Sciences (2016) list 5 Scottish Universities in the top 100: Edinburgh (19<sup>th</sup>), St Andrews (74<sup>th</sup>), Glasgow (77<sup>th</sup>), University of Aberdeen (84<sup>th</sup>) and Dundee (85<sup>th</sup>).

### **ANNEX G: ABERDEEN CITY DEAL**

---

Each deal is **bespoke** to the city region and will include a package of measures designed to work as a coherent whole. Although each will have the following:

- **Local authorities developing a clear programme** of activity prioritised to deliver **Gross Value Added** (GVA is essentially a local measure of jobs and productivity growth);
- An **Infrastructure Fund** established for the programme with funding from a variety of sources;
- **Robust local governance and delivery arrangements** established across the geographical area over which the investment will be targeted.

### **Scottish Government has provided £125 million through the Aberdeen City Deal and a further £254 million of additional investment to help sustain Aberdeen as one of the world's leading cities for investment and business.**

- On 21 Nov, Scottish Government, UK Government, Aberdeen City Council, Aberdeenshire Council & Opportunity North East signed the Aberdeen City Region Deal.
- **At the heart of the Aberdeen City deal is the £180m Oil & Gas Technology Centre.**
  - A world class centre to support innovation in the North East, and the rest of Scotland.
  - OGTC was **opened by Energy Minister, Paul Wheelhouse on 10 February 2017**, alongside Lord Dunlop, Scotland Office Minister.

---

<sup>5</sup> <http://www.topuniversities.com/university-rankings/faculty-rankings/life-sciences-and-medicine/2015#sorting=rank+region+=country+=faculty+=stars=false+search=>

- **The additional £254 million of funding from Scottish Government will help make a step change to the economy of the North East, through:**
  - An initial **£200 million** additional funding to help improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt.
  - **£24 million** of funding for the trunk roads programme to support improvements to the key A9/A937 south junction at Laurencekirk.
  - **£10 million** for extension of digital infrastructure in the Aberdeen/Aberdeenshire area above and beyond the commitment through the City Deal.
  - **£20 million** in infrastructure funding to unlock housing sites of strategic importance to the local authorities.

**Other key transport projects in North East Scotland include:**

- **A96 Dualling Programme** – SG has given a commitment to dual the A96 by 2030 and deliver around 86 miles of upgraded road between Inverness and Aberdeen.
- **Aberdeen Western Peripheral Route/Balmedie-Tipperty project** (Total estimated scheme cost of £745 million) – forms part of SG’s NPD investment programme and is a key driver for major economic growth as it is expected to lead to the creation of over 14,000 jobs in the north east bringing a boost of £6 billion to the local economy over the next 30 years.

[REDACT]

**Entrepreneurial Support in NE.**

**The wider startup Business Gateway activity in the region is delivered by Elevator** which stimulates more business start-up activity and provides the education required to allow more of these businesses to grow. The Elevator model includes a skills development accelerator programme aimed at those businesses with the most ambition and potential. Elevator reports that new business start-up enquiries have increased over the last 3 years by 25% and the number of new start-ups in 2015/16 was 28% higher than the target set by government with 7% coming through redundancy within the O&G sector:

Although most entrepreneurial support programmes have a national reach, Elevator is the only organisation with a physical presence in Aberdeen, compared to Glasgow and especially. Stimulating more entrepreneurial businesses in the region will result in the need for additional co-working spaces.

---



**Sir Ian Wood GBE,  
Senior Advisor to the UK Government and former Chairman and CEO, Wood Group.**

Sir Ian is best known for his work in the North Sea oil industry with the Wood Group, serving as Chief Executive from 1967 to 2006 and as chairman until 2012. He was the author of the influential Wood Report and signatory of the City Region Deal that gave birth to The Oil & Gas Technology Centre. He was appointed Knight Grand Cross of the Order of the British Empire (GBE) in the 2016 Birthday Honours for services to the oil and gas industry.

Sir Ian Chaired the Commission “Developing Scotland’s Young Workforce” for Scottish Government which reported in 2013



**Jennifer Crow, Chief Executive and a Board Director of Opportunity North East (ONE)**

She was the Chair of the Board of Governors at Robert Gordon University for three years until December 2016 and has been a Board Member for eight years.

In addition, Jennifer is a Board Member of James Hutton Ltd and a past Board Member of regional transport partnership, Nestrans. She joined Scottish Enterprise Grampian as Head of Food in 1994, becoming Director of Competitive Business in 1999. She spent a period at Shell Expro UK leading a business transformation project, before returning to Scottish Enterprise

Grampian as Chief Executive in 2002.



**Patrick Machray OBE, Chairman of ONE’s Food, Drink & Agriculture Board**

In 1991, Patrick was appointed Chief Executive of Johnston Carmichael with overall responsibility for the practice. During his period in office, Patrick was responsible for growing the firm and its client-base through marketing, best use of systems and IT, investing considerable sums in training and development, and managing the takeover of several practices. Patrick retired from

Johnston Carmichael when it was the leading independent firm of Chartered Accountants in Scotland, and in the top 25 in the UK with a turnover in excess of £20m.

A non-executive director of Scottish Enterprise Grampian for four years, Patrick was chairman of the economic development body from 2005–2007.

In June 2008, Patrick was awarded an OBE in the Queen's Birthday Honours List for services to the local economy and charity work.

In April 2012, Patrick was appointed Chief Executive of ANM Group, successfully steering the Group through challenging times and was appointed Chairman in April 2015.

Patrick is currently chair of Scotland's Rural College (SRUC)

---