

MINUTE

B - PUBLIC

Harbour Board

Council Chamber, Town Hall, Lerwick

Wednesday 8 October 2014 at 10.00am

Present:

A Manson	M Burgess
A Cooper	B Fox
R Henderson	F Robertson
M Stout	A Westlake

Apologies:

None

In Attendance:

M Sandison, Director of Infrastructure Services
P Bryant, Executive Manager – Harbourmaster and Port Operations
C Reeves, Harbourmaster
A Inkster, Team Leader – Port Engineering
B Robb, Management Accountant
P Wishart, Solicitor
C Anderson, Senior Communications Officer
L Gair, Committee Officer

Also in attendance:

Mr Farrar, Ironside Farrar

Chair

Ms A Manson, Chair of the Board, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

Minutes

The Board approved the minutes of the meeting held on 19 August 2014 on the motion of Mr Henderson seconded by Mr Cooper.

31/14 Scalloway and Sullom Voe Masterplans

The Board considered a report by the Executive Manager – Ports and Harbours Operations (PH-24-14-F), which advised on the completion of the Scalloway and Sullom Voe Masterplans and introduced a presentation by Julian Farrar of Ironside Farrar on the content of the two plans.

The Director of Infrastructure Services introduced the report and advised that following this meeting, Officers would take forward further work on investigation of any areas that Member decide to progress and report where Members need to consider capital investment.

Mr Farrar provided a slide presentation (attached as Appendix A) on the Masterplan for Scalloway Harbour. During his presentation he commented on:

- Competitive advantages that Shetland's location provides.
- Feedback from Users of the Scalloway Port.
- Aqua and Fisheries long term needs and the Fish Market.
- Deep water berthing.
- Meetings held with local businesses and potential income generated from port users.

Mr Farrar advised on the outcomes identified within the report:

- The quay and the pier need to be extended to the West providing 330m of deep water berthage.
- Extending to the West also provides opportunities to extend land areas and address issues with the current condition of the existing structure.
- Improvements could be carried out on a phased plan and developed to alter capacity for fisheries, cargo, logistics, renewables and oil servicing vessels.
- Expansion of additional buildings for use by net operators and the redevelopment of the fish market to an appropriate scale is critical as well as meeting HSE standards.

Mr Farrar said that the Port had a strong future and was differentiated from other ports as set out in the action plan. He said therefore that immediate action was required on:

- The fish market
- Quay Extension, with detailed studies required
- Marketing strategies to promote the Port and show what it has to offer to operators West of Shetland.

In terms of renewables he indicated that it would be 2030 before there would be significant activity around major renewables. He said that Scalloway Harbour was ideal as a multi user base.

Mr Farrar concluded his presentation by advising Members that the scale of the expansion would require significant investment of between £14 and £17m for the Quay. For the total proposals he estimated an investment of £30m for all phases.

In responding to questions Mr Farrar confirmed that a refresh of the statistical data was possible, advising that the Masterplan for Scalloway had been completed in 2013. A Member commented that this Plan was particularly useful to help attract EU Funding however he had been disappointed that there was a proposal to reduce the size of the fish market, particularly in light of the fact that Scalloway had seen the biggest increase in fish landings in recent years. Mr Farrar agreed stating that this was where a business case was critical in order to ascertain the right size and quality of facilities needed. He said that in terms of the fish market there is currently an ageing building, with a second floor that is not being used, that was not meeting the standards and the structure would need to continue to be maintained, however looking at a new, state of the art, facility and establishing the right size will require an indepth study. He said that fishing would be a long term activity for the Port and it was important to get the scale right. Mr Farrar confirmed to the Member that a new building would be required to meet the long term needs of this industry.

A Member pointed out that the information in the Plan, relating to BP Oil response unit had moved on and that a private fish processor had change its services to provide alternate oil response facilities and now provides significant lay down area. Mr Farrar confirmed that the information in the Plan was based on last year's position. The Member also referred to a statement on page 46 relating to the expected number of "new large fields will come forward over the next few years yielding over 100, boe of recoverable reserves". He said that since then 207m barrels had been produced from 15 fields and Clare Ridge was to become a massive field compared to original estimations, all within distance of Shetland and he found it frustrating that the Plan had not incorporated this information. Mr Farrar explained that having heard similar rumours at the time of preparing this plan, he had consulted with the Industry but however there was no comments made "on the record". He said that he was not able to produce a plan based on rumours and the industry were "keeping their cards very close". Mr Farrar went on to explain that this was now a significant story with the potential of looking 100 years+ for oil West of Shetland. He said that it was difficult to get the partners to express what is known to them as fact, while rumours of oil reserves to 2040+, the industry could not be quoted as saying that.

In responding to a Member's question on the possibility of updating the information before decisions are made based on its content, the Director of Infrastructure Services said that this document had been produced as a snapshot in time which provides a sense of direction that can be built upon. She said that the document would be used when seeking EU funding and the Council will produce business cases around this significant piece of work. She said that when a document, such as this Plan, is produced more information comes out as soon as it is written. She agreed with the Member that greater information needs to be produced around oil opportunities but Officers now need to make a start on developing good business cases.

By way of explanation, the Director of Infrastructure Services advised that the decision had been taken to present both Scalloway and Sullom Voe Masterplans at the same time, however the time that lapsed between the completion of the plans and the scheduled meeting meant that almost a year had elapsed since the Scalloway Masterplan had been completed.

In referring to the Scalloway Fish Market a Member commented on the changes that have occurred over the years to the handling and transporting of the produce and how a new facility is key to ensuring that a premium product is available for export 1-2 days after it is harvested. He said that this facility was needed in the next 1-2 years not 5 years.

Mr Farrar was asked what the premium time that the Port should be ready to capture the market opportunities that were described in the Plan. Mr Farrar said that there is the development time to be taken into account in order to get a marine structure through the design and consents stages followed by the procurement and delivery. Mr Farrar indicated that even if a decision were made today it would take up to 3 years to achieve an operational facility. If significant expansion was progressed a decision on the expansion of Scalloway Port would be required soon. Mr Farrar said that the difficulty for any Port was not knowing what the Industry is Planning and it is therefore not possible to know what facilities to provide. He said that the Industry then look for a Port that can provide the services they need and once in there it is difficult to attract them out again.

In considering the use of accommodation barges and the need for more accommodation, it was acknowledged that it is better for the community to have onshore facilities than floating barges. Mr Farrar said that there is a need for a mixture of both, however if land were available and a fully serviced site, close to Sullom Voe, were available then BP would be able to decant some operations there. He said that the numbers of staff were uncertain but the expectation was that the increase in demand would not change in the near future.

A Member asked for Mr Farrar's view on tourism and the demand on accommodation, ferry services and flights. He was asked how tourism could grow when business is taking all accommodation and when transport is at bursting point. Mr Farrar said that this was a challenge for Shetland but tourism was not forgotten. He said that there needed to be an understanding of the trend in Sullom and stated that the growth in Shetland is not a blip and the bigger trend is not being seen. Mr Farrar commented that similar issues are felt in Orkney and the Western Isles in terms of getting the right infrastructure, goods and services. He referred to Scatsta Airport that had seen a lot of investment in the last few years but noted that it was already at capacity again. A Member commented that cruise tourism was a sector that was still growing that had income potential with little impact on the area and the vessels were well suited to the harbour facilities in Scalloway. It was also noted that Scalloway was to receive a pontoon in the next month or two, to cater for smaller yacht and cruise tourism and there were one or two quayside locations that could be used for this. It was acknowledged that Lerwick was at capacity in this area.

In noting that Scalloway was well placed for EU Funding for fishing activities, Mr Farrar said that it was important not to lose sight of renewables as this was an attractive option for funders. He said that a multi functional facility with an interest in renewable and marine engineering are essentially what Scalloway is suited to.

A Member questioned the cost of the preferred option, that would achieve 300m of quay side space and asked why the costs were significantly more than what had been carried out in Lerwick Harbour. Mr Farrar explained that it was important to ensure that a high optimism bias/contingency is included before designs are undertaken. The costs are potentially pessimistic however subject to the value of engineering and form of the structure this figures would cover it all. He said that in comparison Hatston in Orkney was £8.5m and for a 400m quay in Aberdeen the cost was £18m for developments there.

During further discussions Members agreed that it was important to present these Masterplans to HIE as the Council's partners.

A Member questioned whether the depth of the channel, compared to Lerwick, was a constraint to attracting bigger boats to Scalloway and asked whether any analysis on what depth would be required into the future. Mr Farrar said that Scalloway channel was recently dredged to 8.7m and 9m at the quay. He said that the Oil and Gas industry see Scalloway as a convenient Port and suitable for crew changes. He said that the main bunkering port would be Aberdeen and potentially Scrabster where facilities are on hand but Scalloway captures part of that market. He said that close contact on what industry needs are is important.

In terms of the next steps, the Director of Infrastructure Services advised that a refresh of the statistical data would be carried out. The next piece of work would be to look at options and a business case for a new build fish market and to look into

funding opportunities. Work is also required on the quayside improvements. The Director of Infrastructure Services advised that a seminar would be held with HIE Shetland being involved, as partners in these Masterplans.

In response to a comment, Members were advised that steps had been taken to find a better refuelling method to make the vessel refuelling process easier and enable quicker turn around times.

Mr Farrar commented that Scalloway Port should not underestimate their good customer relations. He advised that a number of comments had been received during the consultation process on the Port's can do attitude and willingness to shift people around to ensure it is open for business. He said that this was good news and the good will that is conveyed is an important asset to have. He said that other ports work hard at achieving this and it was therefore important to keep this level of customer care in order to compete with other Ports.

In terms of promoting the Port, the Director of Infrastructure Services explained that the business development of the Ports lies with management. She said that promotion and marketing should be a key activity in the port directorate plan with a view to providing the right resources.

A Member asked whether adjoining land had been considered to augment the Scalloway Port by providing laydown areas, which is in demand. Mr Farrar said that he had looked at the surrounding area and considered whether it needed to be within the harbour. He said that the area below the Scord Quarry where there is industrial land provision is near to the Harbour. Mr Farrar said that due to the cost involved, reclaiming land was not appropriate in the current economic climate.

A Member commented that had the Masterplan been presented a year ago some of the questions would not have been relevant. He said that the document could be taken forward and had been written in a format that EU Funders will recognise. Members acknowledged that Mr Farrar had provided a framework that requires more substance from the knowledge and experience of workers in Scalloway.

Mr Farrar provided a slide presentation (attached as Appendix B) on the Masterplan for Sullom Voe and said that this was a more challenging prospect in terms of where it is located and what direction it can be taken. He said that there were issues around protecting information, which mean that the players involved were keeping information to themselves.

During his presentation he commented on:

- The competitive advantages of Sullom Voe and its expected future to 2040 and beyond.
- The ageing infrastructure of both the terminal and port
- Costs - the Industry will drive down costs and this is a culture that all parties need to understand.
- Securing funding for fit for purpose and complementary infrastructure, all parties are waiting for someone else to take the lead.
- Opportunities for oil and gas services for next 30-50 years.
- Renewable energy in the longer term
- Whether jetties can be used more flexibly
- Decommissioning and the facilities being developed by Lerwick Port Authority

- The developing technologies and the expectation that there will continue to be discoveries east of Shetland
- The need to continue developing relationships with the key players, not just at the top, and encouraging further investments in pipelines etc.
- The technical issues around shipping and FPSO's (floating production, storage and offloading), how much storage would be needed when transshipments come through Sullom Voe.
- Encourage use of storage in Sullom Voe and influence how it can maximise income and develop existing infrastructure.
- The Council's supporting and facilitating role for the industry, which is different from Scalloway where, with a business plan and partners the Council can make a real difference.
- How the Scatsta is a critical part of the overall hub.
- Sella Ness developing into an energy park where every pound spent needs to offer a long term legacy for the rest of the century.

In comparing both Masterplans, Mr Farrar stated that Scalloway Harbour has clear routes for development of strategy, business case and securing funding for development projects. Sullom Voe on the other hand, as a facility for other users, needs to find how to get more information on industry requirements by engaging and developing relationships with Partners.

In responding to a question on the matter of storage, Mr Farrar confirmed that he had considered this and had discussions with other companies about accessing storage at Sullom Voe. He had been disappointed at not getting to understand what storage requirements would be needed and if it would be provided independently. He explained that some discussions highlighted concerns around Ship to Ship (STS) transfers and that storage was a problem when bringing in shuttle tankers to discharge and them being pushed to the back of the line.

During further discussions, Members considered the need for further development in terms of providing facilities for Sullom Voe Terminal and the use of Jetty four. It was highlighted that BP staff are currently sitting within the blast zone and there is a need to consider alternative accommodation options. It was noted that the village of Graven would be an option and Mr Farrar was asked if he had given this consideration. Mr Farrar explained that there are a lot of non operational people that need to be moved out of the Sullom Voe Terminal. He said that Sella Ness could be better utilised once better infrastructure was in place with building on both sides of the access road. He said that the scale of demand would dictate how big it has to grow. He said that Sella Ness needs to be built into a proper energy park. He added that Graven may be required in the longer term and that the activity in Sullom Voe should not be underestimated. A Member indicated however that in order to keep decommissioning as an option into the future there would be a need for a laydown area near the quay, and that is why Graven should be considered.

(Mr Robertson left the Chamber)

Mr Farrar advised that his report highlights 4-5 actions of significant development at Sullom Voe over 10-15 years and renewables in 15-20 years. That the focus for the Board/Council is on what it needs to do in this next year, 3 years, 5 years and establish who does what and how the Council, DECC (Department of Energy and Climate Change) and the Scottish Government make that work.

In responding to a comment that the report did not reflect the current positions in Sullom Voe, the Director of Infrastructure Services explained that the Council are working with DECC and the industry on moving forward. She said that she and Mr Cooper were meeting with DECC and this was a useful point of discussion to have with them. She said that discussions with the Sullom Voe Association had also taken place and commented that this was a good document, that had been written in a way that presents the development of the Port. A Member added that in real terms he was unsure what his decision would be, on how the Council moves forward, when all the necessary information was not here.

In referring to the 1970's a Member commented that the community had the foresight to work together with the industry partners, the Council had the foresight to compulsorily acquire land to constrain the development in one area and that was the right thing to do. He said that in the 1990 and 2000's Total has come in and the Council should have acquired the land but now development of land was outside the sullom voe area with other players were looking to other areas outside Total as another separate development. He said that these decisions on where to develop should be done so in the best interests of the community. The Member said that the industry are individual companies and not one trusts the other. As a Local Authority, Members should be looking for a document to give direction and drive and the community need to look at this creatively and control the development and, if needed, by compulsorily acquire land under the ZCC Act 1974. Mr Farrar responded by stating that this was a strategic call in terms of control and would be part of the proposals moving forward.

Mr Farrar advised that Rosebank operators had looked at the potential for a pipeline in the Yell Sound corridor and is under pressure to develop outside the sullom voe terminal envelope. This will be a challenge to the Council and the Local Development Plan. A Member explained that the report indicates limited capacity in Yell Sound for pipelines, however the Industry has discounted this in the past, but if Yell Sound is not an option they can come across land to the West of Shetland without coming down Yell Sound, there are other options. He said that someone reading this Plan may feel that it cannot get a pipeline into Shetland and go elsewhere.

Mr Farrar said that the Sullom Voe Masterplan Executive Summary is still to be included in the document and new data can be updated and include information on alternative pipeline corridors. Decisions on Yell Sound from Chevron and strategic policy decisions required go beyond the consultant's study. It is for the Council to take ownership where oil operators can utilise land or where there is a proliferation of Total outside the Sullom Voe area. There are also property and asset issues that the Council need to consider within Ports and Harbours.

The Chair said that as more happens West of Shetland the Council will be in discussions with DECC and how regulation and off shore loading is done to protect our other assets such as fishing, aquaculture by being a player at that table. The Council need to be responsible and aware of where change happens and be involved in that.

The Board unanimously approved the recommendations as amended: to note the contents of both Masterplans and instructed Officers to investigate and present future reports on the proposals for implementation of the Masterplans which the Harbour Board may wish to see pursued. In particular that the Scalloway Port fish market and quay development proposals are progressed and that Officers take

forward the promotion and marketing of the Scalloway Port. In addition the Board resolved that the statistical data be updated in both Masterplans; the Executive Summary for Sullom Voe capture the comments of the Board; and that a seminar with HIE Shetland, as joint partners, be arranged once the Executive Summary and statistical data have been updated.

Decision:

The Board **RESOLVED** to note the contents of both Masterplans and instructed Officers to investigate and present future reports on the proposals for implementation of the Masterplans which the Harbour Board may wish to see pursued.

In particular that the Scalloway Port fish market and quay development proposals are progressed and that Officers take forward the promotion and marketing of the Scalloway Port;

In addition the Board RESOLVED that the statistical data be updated in both Masterplans; and the Executive Summary for Sullom Voe capture the comments of the Board; and

That a seminar with HIE Shetland, as joint partners, be arranged once the Executive Summary and statistical data have been updated.

In order to avoid the disclosure of exempt information, Ms Manson moved, Mr Cooper seconded, and the Board RESOLVED to exclude the public in terms of the relevant legislation during consideration of the following item of business.

32/14 **BP Developments in Sullom Voe**

The Board noted a report by the Team Leader – Port Engineering which informed of possible developments at Sullom Voe Harbour.

The Team Leader – Port Engineering introduced the report.

(Mr Fox left the Chamber)

Following some discussion, Members noted the potential development and business opportunities detailed in the report.

Decision:

The Board **RESOLVED** to note the potential development and business opportunities detailed in the report.

The meeting concluded at 1.05pm

Chair