

## CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**26 NOVEMBER 2009**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

### **CABINET DECISION**

**Regeneration and Transport – Lead Cabinet Member – Cllr Bob Cook**

#### **TEES VALLEY LOW CARBON ECONOMIC TRANSITION PLAN**

1. Summary

The report seeks to explain the issues and opportunities facing a major sector of the local economy, and to explain and further develop an action plan to combat the risks and secure the benefits of a move towards a lower carbon economy.

2. Recommendations

Members are recommended to:-

1. Note the content of the report.
2. To support the further development of the Low Carbon Economy Transition Plan.

3. Reasons for the Recommendations/Decision(s)

To explain and note the work underway to capitalise on the opportunities for a major part of the Stockton and Tees Valley Economy.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same

purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;

- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

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**SUMMARY**

The report seeks to explain the issues and opportunities facing a major sector of the local economy, and to explain and further develop an action plan to combat the risks and secure the benefits of a move towards a lower carbon economy.

**RECOMMENDATIONS**

1. Note the content of the report
2. To support the further development of the Low Carbon Economy Transition Plan.

**BACKGROUND**

1. Tees Valley and in particular the Billingham/Seal Sands/North Tees area is home to the largest integrated chemical complex in the UK. Clearly related to the complex is the third largest port in the UK, the largest hydrogen network in the UK, a national pipeline network, a world-class engineering industry e.g. K Home Engineering, Aker Solutions, which specialises in oil and gas and the maintenance and construction of heavy industrial plant and machinery. Through the Centre for Process Innovation at Wilton there is world-class expertise in innovation.
2. The Tees Valley has seen considerable investment in biofuels, biomass power stations and energy from waste plants. Ensus are about to open Europe's largest bioethanol plant at Wilton and the biodiesel plant at Seal Sands is one of the largest in the UK. There is a pipeline of £4 billion of capital investment which has received planning consent and is looking to invest in the Tees Valley in the medium term. In Stockton examples are Thor and Conoco Phillips proposed investment into two combined heat and power plants (£1 billion), £120 million expansion of the SITA Energy at Waste plant at Haverton Hill and two biomass power stations (Gaia and Clarence Works). It is important that we turn this pipeline of investment into reality.
3. The Low Carbon Transition Plan seeks a partnership with Government, ONE and the industry to deliver this £4 billion pipeline of investment. Key projects are carbon capture and storage of carbon dioxide under the North Sea, and the generation of green petrochemicals from biological feedstocks. These projects need to be implemented by 2013 when carbon emissions taxation is introduced to give the industry in the area a major commercial advantage. To achieve this we need Government and regulatory frameworks policy to support the Tees Valley and we have to develop new delivery vehicles to deal with infrastructure notably access to the National Grid, the creation of a robust pipeline network and strategic land acquisitions.

4. The Low Carbon Transition Plan will be submitted to Government shortly through the Regional Minister.

## **THE TEES VALLEY ASSETS**

5. In its report “Building Britain’s Future – New Industry New Jobs”, the Government sees the development of three sectors, which are key to the future economic development of the Tees Valley, as national priorities – the low carbon, digital, and industrial biotechnology sectors. The area can also help secure the nation’s electricity supply through power generation from coal gasification, energy from waste and nuclear power and through carbon capture and storage (CCS) making a major contribution to the reduction of CO<sub>2</sub> emissions.
6. The low carbon sector is rapidly evolving and economically viable. The UK market is currently worth £106 billion and employs 880,000 people, either directly or through the supply chain, and over 1 million people will be employed in the sector by 2015. Crucially, the Government expects the sector to be one of the few areas of the economy to maintain positive growth rates through the recession, and it is expected to grow by 4% per annum by 2015.
7. The Tees Valley is home to the largest integrated chemical complex in the UK, the third largest port in the UK, the largest hydrogen network in the UK and a pipeline network connecting the Tees Valley with the rest of the UK. It also has a world class engineering industry specialised in oil and gas and the maintenance and construction of chemical plants. Through the Centre for Process Innovation, it has world class expertise in innovation.
8. These are nationally significant assets which are specific to the Tees Valley. The unique combination of infrastructure, skills, land, port and large multi-national companies means the Tees Valley is a natural location to attract low carbon investments.
9. Our assets have already resulted in companies investing huge sums of money in the Tees Valley, driven by the low carbon economy, for example:
  - Ensus has built Europe’s largest bio-ethanol plant costing £250 million;
  - SABIC has built the world’s largest low density polyethylene plant;
  - The Biofuels Corporation has built the world’s largest biodiesel facility costing £80 million;
  - BOC has developed the UK’s largest hydrogen plant costing £100 million;
  - Sembcorp has built the UK’s largest biomass plant costing £60 million; and
  - £12 million has been secured to expand the National Biotechnology Monitoring Facility at the Centre for Process Innovation.
10. Further to the capital investments mentioned above, the Tees Valley is also winning engineering and manufacturing contracts to service the renewables industry in the UK. Stockton companies such as K Home Engineering and Aker Solutions have world-class expertise in the design and maintenance of heavy industrial plant and machinery.
11. Elsewhere, CTC Marine Projects, based in Darlington, with a £80 million portfolio, secured a multi-million pound contract with E.ON Climate and Renewable UK to lay, install and bury 17 subsea power cables in the Solway Firth for 60 offshore wind turbines.

12. JDR Cables at Hartlepool have the only site in the UK that is specifically designed to make cables for the offshore wind, oil and gas sectors. JDR already have a contract to supply 124 miles of cables for 140 wind turbines at Greater Gabbard, and the Hartlepool site is supplying 28 kilometres of cabling for the Wave Hub off Cornwall.

### **CURRENTLY PLANNED LOW CARBON INVESTMENTS**

13. Further to the existing developments in the low carbon economy, there are a number of investments which are currently gaining planning consent, or are in talks to invest in the Tees Valley. These known projects could contribute over 2,000 jobs, and £4 billion worth of capital investment in the low carbon sector in the medium term.

Examples of these projects include:

- A £1 billion CCS network which would generate electricity from coal, remove the CO<sub>2</sub> and take CO<sub>2</sub> from existing industrial plants, and then store the CO<sub>2</sub> under the North Sea;
- £300 million Northern Gateway Container Terminal, with deep water jetties and import centres, will result in a net saving of up to 38.5 million tonnes of CO<sub>2</sub> through reduction in road traffic from Southern ports to the North of England. It will also allow low carbon industries to access European and worldwide markets;
- Collective investment of £1 billion on two combined heat and power (CHP) plants; (Thor and Conoco Phillips at North Tees/Seal Sands)
- A £120 million expansion of the SITA Energy from Waste plant at Haverton Hill including a CHP plant;
- Three new biomass power plants, two of which are in Stockton (Gaia and Clarence Works). Together with the MGT scheme at Teesport, these plants will collectively employ 250 people, invest £900 million and supply low carbon electricity to over 760,000 homes;
- A £50 million autoclave facility generating high quality recyclate (Graphite Resources)
- A £80 million plant to recycle tyres, which would be the UK's first full scale commercial used tyre plant of its kind (Pyreco);
- A further £100 million biofuels plant; and
- A £365 million paper recycling plant.

14. These projects alone could add £3.5 billion GVA to the UK economy over the next ten years, supply over 2200 MW of secure low carbon electricity to the national grid, almost doubling the amount of electricity currently installed in the North East, and re-use waste.

### **A PARTNERSHIP WITH GOVERNMENT TO DELIVER THE PIPELINE OF INVESTMENT**

15. Over the last year Tees Valley Unlimited and One NorthEast have worked with experts to explore the significant investment projects that currently exist, the barriers to overcome and the actions required to turn these and other investments into reality.

16. Actions that Tees Valley Unlimited can achieve are well under way, such as establishing an agreed Industrial Development Framework with private sector landowners to overcome

problems of fragmented land ownership, promotion of key projects, market research, and the background work to identify specific issues that may impede the predicted growth.

17. However, there are a number of actions that we need support from Government to deliver. In short, Tees Valley Unlimited is looking to set up a joint task force with Government to make sure that our transition plan becomes reality.

#### 17.1 **Development of priority demonstration projects**

- a. CCS – there are 18 major CO<sub>2</sub> emitters in the Tees Valley. If the Emissions Trading Scheme is introduced in 2013 without CO<sub>2</sub> storage, there will be a major impact on the competitiveness of the industry in the Tees Valley. If the area is chosen as a pre-combustion pilot project by the Department of Energy and Climate Change (DECC), there is an opportunity to provide an expanded CCS system which can give the Tees Valley and UK a major competitive advantage.
- b. Demonstration of symbiotic development, where waste from one plant, can be used as resource by another.
- c. Demonstration of waste and resource management where biodegradable and plastic waste can be processed to generate products such as bio-methane, hydrogen, bio-kerosene, and bio-naphtha. These can be used to generate energy, power fuel cells, fuel aeroplanes and provide biological feedstock to the chemical industry. Biologically sourced naphtha for example, is a possible alternative feedstock for the Wilton Cracker, reducing dependence on imported oil and associated price variability, providing a major competitive advantage for the Tees Valley by being exempt from carbon taxes. The Centre for Process Innovation, based in Tees Valley, is a world class facility capable of demonstrating nearly all of these technologies with waste materials.
- d. Energy optimisation of existing plants by using spare heat and steam to meet energy needs of industry and tackle fuel poverty in neighbouring residential areas.
- e. In order to demonstrate these new technologies it is essential for government to review the regulatory framework enabling it to facilitate use of waste and biological products in low carbon industries.

#### 17.2 **New Delivery Vehicles to:**

- a. Deal with connections to the national grid and local distribution networks, working on a strategic plan for connections with the national grid and NEDL, with technical support from DECC and the Department of Business Innovation and Skills.
- b. Provide a robust integrated pipeline network to enable future developments to take place.
- c. Make strategic land acquisitions where appropriate to safeguard pipeline corridors or key strategic sites for future development.
- d. Invest in an energy network that provides certainty of energy supply and uses excess heat and steam for industrial use to help resist global fluctuations in energy prices.

#### 17.3 **Acceleration of planned investment in particular:**

- a. Bringing forward the second nuclear power station for Hartlepool to the 2014 to 2019 period, thereby safeguarding the existing 700 jobs when the existing power station closes – high national grid connection user charges by OFGEM discriminate against a second nuclear power station at Hartlepool in the short term.
- b. Enhancement of the rail gauge from Teesport to Hartlepool and the East Coast Main Line to enable containers from the Northern Gateway terminal to use the rail network, rather than the road network.

18. To create a panel of technical experts from the Highways Agency, Environment Agency, Natural England, NEDL, National Grid and the Health and Safety Executive, working with and supporting the local planning authorities to speed up the delivery of projects of national importance and the infrastructure connections required to capitalise on the relevant opportunities identified.

### **FINANCIAL IMPLICATIONS**

19. There are no immediate direct financial implications to Stockton Borough Council from this report.

### **LEGAL IMPLICATIONS**

20. There are no particular legal implications to Stockton Borough Council from this report.

### **RISK ASSESSMENT**

21. The risks associated with not undertaking this work are set out in the report and on the likely impact on local industry and therefore jobs.

### **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

22. The plans and aims contained within this report are consistent with the Community Strategy in seeking to preserve and create jobs for the Tees Valley and Stockton. The resulting actions will positively impact the economic, and environmental future of Stockton and the Tees Valley, with all the associated benefits to other themes of wealth creation, economic activity.

### **EQUALITIES IMPACT ASSESSMENT**

23. This report does not require an equalities impact assessment.

### **CONSULTATION INCLUDING WARD/COUNCILLORS**

24. Not Applicable

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### Background Papers

None

Ward(s) and Ward Councillors:

Not ward specific

Property

None