



PORT OF MILFORD HAVEN

MEMORANDUM

To: The Joint Committee, Swansea Bay City Region
c/o Helen Morgan, Regional Office,

cc
Ian Westley, PCC
Steven Jones, PCC
Andy Jones, MHPA
Paul Ellsmore, ORE Catapult
Claire Gibson, WaveHub Ltd
David Jones, Marine Energy Wales

From: Tim James, MHPA

Date: 11.02.2016

Request

This Memo is submitted to support a recommendation for formal approval of Pembroke Dock Marine in its current submitted format by the Joint Committee in response to a query raised by UK and Welsh Government at a meeting with RO officials on the 30th of January.

The projects vision and ethos to make the SBCR a global leader in the Marine Energy and Engineering Industry is unchanged. We are comforted by the strong political support both UK and Welsh Government have for this intervention. It still remains a regional project and is able to evidence the benefits from technology developers, academia and supply chain across the region.

The current scope makes for a more robust project for all stakeholders. The projects economic case was independently carried out by Amion Consulting, which concluded high Value for Money against the green book methodology. Nothing in their assessment suggests that the jobs and GVA figures as presented at HoT stage would be compromised in any way.

Members will be aware that the affordability of the SBCD funding's revenue costs is an issue for both the project partners and Lead Authority. The project will create NNDR but only in the Port Infrastructure element with the quantum not certain as such will be reliant on customer demands in the future, however these are not expected to cover the cost of borrowing in its entirety.

We are therefore collectively seeking and requesting a regional solution to this issue and ask the Joint Committee to use their ability under clause 14.3 of the Agreement for the Establishment of the Joint Committee to agree a method for ascertaining the distribution of NNDR uplift across the regional portfolio to enable this project to meet its proposed deliverables as part of the Swansea Bay City Deal.

We continue as always to support the Joint Committee to find a solution that works for all parties.

This Memo provides a summary of the Pembroke Dock Marine project that evolved from the project scope at Heads of Terms stage in March 2017. The project's industry consultation, which commenced in mid-2017 has resulted in a change in funded outputs but has been carried out openly and transparently with all stakeholders.

The current scope of the project is fully described in the Full Business Case that passed Regional Office review and was submitted to UK and Welsh Government on the 16.08.2018.

To answer initial Government queries raised on the 28th of September, Supplementary Information which detailed the scope change, industry consultation and rationale for that change also passed Regional Office review and was submitted to UK and Welsh Government on the 11th of December 2018.

The four elements that make up the project still exist and we are confident that a Marine Energy and Engineering Centre of Excellence (MEECE) centred around a Port infrastructure development (PDI), nursery testing sites (META) and an array scale demonstration (PDZ) area are what industry require.

That offering has and will continue to attract inward investment to make the Swansea Bay City Region a global leader in the marine energy and floating wind sector within the context of the established oil and gas sector.

Significant advances have been made since the Heads of Terms were signed and solid progress is being made on all elements. MEECE is operational and has attracted additional investment from the academic sector.

META is also active working on its consent and aims to utilise additional allocation from underspend elsewhere in the project to increase its market attractiveness and strengthen its sustainability beyond the initial 5 years

The Port infrastructure is also working towards its relevant consents. Design work is reducing heritage impact and CADW are fully engaged in pre-application discussions. These have been extremely positive to date. No listed structures are being demolished and a significant package of enhancement measures (including the 2000m² of refurbished offices in the annexes to the two Sunderland Hangers, which have planning and listed building consent in hand) are being proposed to mitigate any residual impact.

Extensive industry feedback has informed the current proposals and timing for the PDI and PDZ elements. The PDZ completed a commercial and technical viability study that concluded including floating wind technology will be more attractive to industry in the short term. The project is now looking to provide double the capacity to market (180MW) making it not only the world largest wave energy scheme but also the world's largest floating wind lease area.

Including wind energy in the project scope has increased the consenting period so that it would not be possible to build the onshore PDZ infrastructure by the end of WEFO's deadline at the

end of 2023. This unfortunately meant allocation of WEFO funding for the PDZ build and private match could not progress within the project scope.

Part of the City Deal and WEFO allocation have been re-distributed to Access Infrastructure elements of the Pembroke Dock Improvements, with the remaining City Deal allocation being re-distributed to META.

The project finances now stand as presented in the latest FBC and are shown below.

PDI / META / MEECE / PDZ TOTALS								
Costs	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Totals
Capital	£672,189	£6,572,706	£13,855,347	£14,027,920	£10,959,251	£2,354,119	£1,880,572	£48,441,508
Revenue	£353,690	£1,042,724	£2,975,631	£2,840,434	£2,495,189	£1,427,929	£1,044,774	£12,181,371
Total	£1,025,859	£7,615,429	£16,831,977	£16,868,353	£13,454,440	£3,782,048	£42,640,892	£60,622,878
Funded by:								
Catapult	£0	£21,175	£189,064	£185,235	£135,646	£459,860	£312,009	£1,302,988
CCF	£150,000	£150,000	£0	£0	£0	£0	£0	£300,000
City Deal	£0	£2,673,977	£8,284,200	£11,318,675	£4,744,651	£675,163	£303,333	£28,000,000
PoMH	£0	£632,346	£960,000	£1,336,000	£2,427,090	£5,180,110	£630,572	£10,546,118
Private Sector	£0	£0	£0	£0	£0	£1,250,000	£1,650,000	£2,900,000
WEFO	£243,513	£898,434	£6,844,801	£6,339,244	£2,069,521	£710,922	£0	£17,106,436
Other	£0	£11,843	£177,912	£98,109	£94,512	£55,529	£29,431	£467,337
Total	£393,513	£2,272,775	£11,951,977	£15,587,904	£15,472,138	£12,019,225	£2,925,346	£60,622,878

Members of the Joint Committee will note the headline figure has reduced from £76m. This is largely due to the reduction in private sector funding for the PDZ element which reduced from £36m to £4.6m. The other elements have responded to reduce the reduction to £15m, roughly the equivalent of the private sector investment into the PDZ element.

The project has, as part of the Wales offer attracted £15m of inward investment from Australian wave energy developer Bombora Wavepower (see letter to Cllr. Simpson Dated 10.12.2018 - attached). We are also encouraged that the Tidal Energy Limited technology and grid connected facility at Ramsey Sound has also been bought by Cambrian Offshore Ltd. Their investment and plans as detailed in the attached letter will bring in further investment and provide additionally to the presented scope.

Upon receipt of a level of comfort from UK / Welsh Government that Pembroke Dock Marine is supported, a further £20m of investment will be unlocked from Swansea based Marine Power Systems (see letter to Cllr Simpson and Cllr Stewart dated 27.11.2018).

It is this evidence and insight that gives the project partners confidence in a more commercially attractive and robust proposition for the Swansea Bay City Region and supported by the Lead Authority, the Project Delivery Lead requests on behalf of the consortium of Pembroke Dock Marine project partners that the Joint Committee formally approve this project scope so that it can progress through the necessary milestones and dependencies towards approval.