

North East Scotland Regional Economic Strategy Statement in Response to COVID-19 July 2020



#ABZdeal

THE REGIONAL ECONOMIC STRATEGY AND ACTION PLAN POST COVID-19

Introduction

The focus of our Regional Economic Strategy (RES) and Action Plan has always been the diversification, resilience and flexibility of the north east economy and how the region would be more resistant to future economic shocks. This situation is different – there is no precedent for the scale of the shock to the economy resulting from Covid-19 and the momentum growing for a systemic change as to how we transition to a greener economy with wellbeing and inclusive growth through our communities at its heart.

The purpose of this paper is to show how the RES remains fit for purpose to deliver the economic ambitions of the region despite the challenges following the Covid-19 pandemic and recovery. This follows a process by the RES Group to review the work done on the RES vision refresh, ensure it is still correct, examine the pace required and identify any updates required to the Action Plan.

Scale of the Challenge

We are facing unprecedented challenges. The Fraser of Allander Institute is predicting the “deepest recession in living memory”, and unemployment is likely to rise to levels unseen for generations as the UK Government’s furloughing scheme comes to an end. At the point of writing the report, many of our major employers – particularly in oil and gas, and hospitality – had confirmed their intentions to make redundancies, with many announcing job losses in the hundreds. With the risk for tens of thousands of job losses across the region there is the knock-on effect of a rise in levels of poverty as a result – and it is already being evidenced in neighbourhoods not traditionally affected by inequalities or disadvantage.

Over and above job losses and societal impacts there are also existential industrial challenges. Oil and gas, together with the wider supply chain are facing an extremely uncertain outlook owing to low oil and gas prices together with forecast lower demand post-Covid. This will almost certainly lead to some companies going out of business, but efforts to diversify the supply chain are essential if we as a region and country are to deliver our energy transition objectives. Quite simply, if we lose the supply chain, we can’t deliver.

Other sectors, e.g. hospitality, also face huge challenges even with the easing of restrictions as efforts to rebuild consumer confidence, and the effects on global travel and large events remain uncertain. All sectors and businesses will face massive challenges, and the nature of them makes it imperative that partnership working between all parts of the public, private and third sector is a must.

Everything has changed, but our strategic focus has not

Many scenario models have been produced by think tanks, academics and professional services companies. In the main they are relatively subjective, but the base case for most is focused on the evolution of the virus threat or its eradication, alongside the relevant “shape” of recovery (e.g. V, U, tick, W, L-shaped). From best case scenarios (where we return to a relative sense of “normality” during the second half of 2020) to worst case (recurring outbreaks lasting several years), the priorities of the RES would still provide a sound basis for delivering a resilient economy with our people at its heart.

Our continued ability to positively contribute disproportionately to GVA will provide a basis for us to deliver a green and inclusive recovery for the north east that can benefit the whole country. Work was already underway at the start of 2020 to refresh the RES vision to take account of changing economic drivers including the Climate Emergency/Net Zero, the increasing pace of Digital and Technology, and

Inclusive Growth. These drivers have not changed despite the pandemic (indeed the case is even stronger). The refreshed vision reflecting this is as follows:

In 2040, the Aberdeen city region provides outstanding economic opportunities, best-in-country quality of life and a spectacular natural environment. It is:

- **a net-zero city region** that powers the nation and drives energy transition nationally and internationally;
- **a competitive city region** to work and invest in with a diverse and robust economy, high-value jobs, and nationally significant productivity; and
- **a city region of choice** where prosperity and opportunity, educational attainment, quality of life, natural heritage and sense of place attract and retain talent, enterprise and investment.

For clarity, it is not the intention to rewrite the RES or make wholesale changes. Our key sectors will remain a focus, but the RES should broaden its scope to take account of other sectors important to our economy which may be impacted by rising unemployment as a result of the pandemic, e.g. construction and retail. Furthermore, we will ensure we take a broad look at the impact on the labour market and its needs (e.g. upskilling, reskilling, providing apprenticeships) in the north east, supporting our people through what will undoubtedly be very tough times. We will work to deliver an evidence-based skills system which is aligned to our economy and which will best support our citizens to secure and sustain meaningful, high-quality employment. Indeed, diversifying skills will be as important as diversifying the economy as we look to support people back into work following what looks like an inevitable period of high unemployment.

The RES will remain a strategic document and will continue to drive our economic ambitions. Within the associated Action Plan we will likely see the acceleration of transformational projects and capital investment, the reinvigoration of other projects, and some perhaps deemed longer term prior to Covid-19 being brought forward to aid in the recovery whilst also ensuring we don't lose the long-term focus of key areas including net zero, digital and inclusive growth. As part of the vision refresh work, a reprioritisation of the Action Plan was always planned - considering it is a live document – and is now underway.

Alongside the RES, our key regional strategies – e.g. Skills, Transport, Planning, and Aberdeen City Region Deal - are aligned to ensure effective and joined-up delivery which support the vision and aim to make a tangible difference to our region's citizens, businesses and other stakeholders. For example, key and critical industries require the infrastructure to operate and grow effectively - the draft Regional Transport Strategy sets out the appropriate measures, including strategic road, rail and connectivity interventions to facilitate this.

Opportunities, Priorities & Drivers

With the “green recovery” message increasingly gaining momentum alongside social inclusion, the opportunity is for the north east to continue to drive growth for the whole country. It is a message that must continue to be pushed alongside the need to invest in industry to create jobs, for example through the UKCS sector deal, in order to deliver the energy transition and keep jobs across the region and country.

Our priorities will continue to be based around the following:

- Net Zero – a region with an integrated energy cluster that is a global leader in the development of energy transition and net zero carbon solutions. The strategic importance of the oil and gas sector remains of paramount importance in regard to the success of our ambitions. The £62m Scottish Government Energy Transition Fund will allow for the acceleration of capital projects to support our net zero ambitions.
- A diversified economy with one of the most productive and tech-enabled in the UK with sector-leading sustainable businesses, an entrepreneurial environment and a global focus on innovation and new market opportunities.
- Seafood/Food, Drink & Agriculture Transformation – adapting to consumer trends and targeting high-value markets around the world to choose premium healthy and sustainable products from our food, drink, agriculture and fishing businesses.
- Our life sciences companies developing therapeutics and tech solutions for global health challenges, changing the way that healthcare is delivered and improve people’s wellbeing.
- A thriving visitor economy that plays to the strengths of the north-east, exceeding visitor expectations across business and leisure markets, managed sustainably in partnership with communities and a diverse and ambitious tourism industry.
- A Place providing people who live, work and invest in it with high-quality life, learning and economic opportunities and a unique sense of place.
- Supporting local suppliers through the promotion of local procurement.
- Increasing the number of companies exporting, and activity from existing exporters.
- The diversification of our economy relies on skills – particularly in response to job losses. Connecting and supporting our people into economic and learning opportunities, enabling them to benefit from access to a network of national and international links.

Needless to say, there will be cross-cutting issues affecting all of the above, and we will need to ensure we are clear on the role and resourcing of bodies such as Invest Aberdeen as to how they best can support.

Alongside the above, the workshop held by the RES partners and attended by wider stakeholders in December 2019 identified key areas where the region needs to focus. Again, these take on added significance:

- Leadership
- Ambition
- A cohesive digital ecosystem
- Moving at pace – both in delivery and facilitation of it
- Clarity/USP
- Change Perceptions

The sub-group set up to review the RES vision will reconvene to develop a stakeholder and communications plan to ensure our key messages are delivered to the appropriate audiences.

Capital Investment to support the RES

There are several capital-intensive projects across the region which could be accelerated to support the RES:

- Energy Transition Zone
- Seafood Transformation

- Net Zero Solutions Centre
- Adventure Tourism
- ACRD: OGTC, BioHub, Seedpod
- Digital infrastructure
- City Centre Masterplan
- Town Centre regeneration
- Hydrogen Hubs
- Regional Transport Strategy

Additional factors to consider

We also need to ensure we remain alert to wider threats – new, old and those that may still result as a longer-term effects of Covid-19, including:

- A no-deal Brexit at the end of 2020 remaining a huge possibility, and the risks that poses to our export performance
- Effects on future Government funding (both local and national) and its ability to provide further stimulus
- Connectivity challenges, both in terms of infrastructure and transport