

# Scapa Deep Water Quay

Business Case Review April 2024



Highlands and Islands Enterprise  
Iomairt na Gàidhealtachd 's nan Eilean



## SUMMARY



Hall Aitken, with BVG Associates and Grangeston Economics reviewed the business case for the Scapa Deep Water Quay (SDWQ) and considered the social impacts of the proposals. This is a step towards answering two questions:

- What is the need that SDWQ will meet?
- Is it the right investment in the right place at the right time?

The situation is dynamic and changing weekly – so any review is a snapshot – and there are significant uncertainties around the offshore wind sector. We considered 3 perspectives:

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <b>Government<br/>(UK and Scottish)</b> | There is an urgent need to create the conditions for port infrastructure development that will enable offshore wind plans to be realised. At the same time this should optimise a timeline for bringing offshore wind power into the grid, meeting policy (including Net Zero) objectives. There is an additional objective to maximise the economic and social benefits through job creation by securing manufacturing, deployment and maintenance contracts at UK locations. <b>SDWQ would be a significant contributor to meeting Government needs.</b>                                                                                                                                                                                                    |
| <b>Offshore wind developers</b>         | The quay would be the right thing, in the right place and the right scale to cover most likely use cases. Alternative developments in Orkney are not seen as sufficiently developed to be considered in depth. A commitment to build will influence developers’ plans and enable them to make informed choices around technologies and logistics. Detailed conversations suggest different developers may prefer different configurations of quay length, hard standing, quayside/slipway design and craneage. However the general view is that <b>the SDWQ proposal is a good compromise and would suit most user needs.</b>                                                                                                                                 |
| <b>Orkney</b>                           | <ul style="list-style-type: none"> <li>— Orkney is generally recognised on most measures to have one of the highest qualities of life in the UK</li> <li>— There is effectively no unemployment, indeed the labour market is tight.</li> <li>— There is a developing issue with the population ageing and loss of working age population which will adversely affect the economy and wellbeing of residents if not addressed.</li> <li>— Housing is seen as a key constraint in addressing these issues.</li> </ul> <p>To maintain a balanced population and economy, Orkney needs to create permanent new jobs which attract skilled workers and their families to live on the islands. <b>SDWQ would contribute significantly to meeting this need.</b></p> |

### Balancing Orkney’s needs

- From an Orkney point of view, we found no hard evidence to suggest a different investment elsewhere in Scapa Flow would fulfil the same role as SDWQ.

- The full benefit of the project accrues to Scotland and UK, with less to Orkney – so negotiating an equitable economic and social return for the islands would be a priority.
- From the Council perspective the current level of risk and uncertainty is the key question to be addressed. Only Government is able to cover these risks, but the situation is gradually becoming clearer.

In social value terms,

- Orkney is likely to lose its Quality-of-Life advantage over time without mitigation because of an ageing demographic and loss of working age population.
- Losing this advantage would equate to a social value loss of £3.5m for each 1 point drop in the WELLBY score.
- So, if the QoL advantage dropped to half its current level, this loss would give a drop in life satisfaction (or wellbeing) valued at £133 million. Even a drop of 0.1 point would mean a loss of £29 million over the same time period

| Positives                                                                                                                                                                                                                             | Negatives                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Increased income to the area, leading to increased pay rates and more jobs would seem to be likely to increase wellbeing (marginally).                                                                                                | Significant numbers of temporary workers might negatively impact community coherence (in the short term)                                |
| Bringing in direct employment and income to the local economy could be significantly positive in mitigating the potentially negative forces of ageing population and decline in working age population (and overall quality of life). | Potentially, more employment and good wages might lead to labour and skills shortages in existing businesses.                           |
| In the longer term of the DWQ would be to help insulate the local economy from unforeseen shocks by bringing in an enterprise that is likely to continue in most foreseeable scenarios                                                | The build period and appearance of platforms in Scapa Flow will degrade the appeal of the natural environment to some degree.           |
|                                                                                                                                                                                                                                       | A reduction in quality of life could result if insufficient investment is made in additional accommodation, transport requirements etc. |