

12 Socio-Economic, Tourism and Recreation

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12 Socio-Economic, Tourism and Recreation

12.1 Executive Summary

- 12.1.1 The Supplementary Environmental Information (SEI) 2 considers socio-economic, tourism and recreation effects of the Proposed Development's 2021 Layout.
- 12.1.2 The economic analysis for SEI 2 is based on a smaller number of turbines and therefore a reduced expenditure, which has resulted in a marginally lower economic impact. However, since the 2020 SEI, Viking Wind Farm has begun construction, which is expected to further stimulate the development of Shetland's onshore wind supply chain. As a result of this and commitments to local procurement, local companies and workers are expected to be better placed to secure contracts and so the revised analysis has slightly increased the share of expenditure secured in Shetland.
- 12.1.3 It was found that the Proposed Development could contribute £17.3 million and 152 job years in Shetland and £55.2 million and 499 job years in Scotland during the construction phase.
- 12.1.4 During each year the operation and maintenance of the Proposed Development could contribute £0.4 million and three jobs in Shetland and £0.9 million and seven jobs in Scotland.
- 12.1.5 Though the impacts are slightly lower than for the 2020 SEI, the magnitude of impact is similar and therefore the conclusions on the assessed effects have not changed from those identified in the 2019 EIA report and the 2020 SEI.
- 12.1.6 For tourism, recreation and land use effects, the assessment and conclusions in the 2019 EIA Report and 2020 SEI remain robust.
- 12.1.7 The Proposed Development would also contribute £0.63 million per annum in community benefits, equating to £18.9 million over 30 years. In addition, the Proposed Development could contribute approximately £1 million per annum in Non-Domestic Rates.
- 12.1.8 Overall, the socio-economic, tourism and recreation effects of the Proposed Development's 2021 Layout have been assessed as being the same as in the 2020 SEI in respect of the 2020 Layout.
- 12.1.9 However, there has been a significant change to the socio-economic strategic context that increases the importance of the contribution of the Proposed Development to the local and national economy. The strategy of the Scottish Government and of Shetland Islands Council in response to the economic consequences of the Covid-19 pandemic has been to focus on green jobs, including renewable energy, to deliver recovery and renewal.

12.2 Introduction

- 12.2.1 This section considers the potential change in effects associated with socio-economics as a result of revisions to the Proposed Development and has been undertaken by BiGGAR Economics. In addition, a revised strategic context is considered, which focuses on the response to the Covid-19 pandemic and the climate emergency.
- 12.2.2 A previous assessment of the potential socio-economics effects associated with the Proposed Development was undertaken to inform the 2019 EIA report and an updated assessment was undertaken as part of the 2020 SEI. There are expected to be significant beneficial socio-economic effects associated with construction, as well as non-significant beneficial effects associated with operation, and no significant adverse socio-economic, tourism, recreation or land use effects.

Significance Criteria

- 12.2.3 The assessment methodology adopted for this chapter is unchanged from the 2019 EIA report and the 2020 SEI.

Strategic Context

- 12.2.4 Since the 2020 SEI was published, the renewable energy policy context has changed due to the adverse economic impact of Covid-19 and a focus on green jobs in the economic recovery strategy.

Role of Renewable Energy in Economic Recovery and the Climate Emergency

- 12.2.5 The renewable energy sector is well placed to make an important contribution to national and local economic recovery and transformation. This is because it is employment intensive in the short term and so can provide jobs to replace those lost in the Covid-19 pandemic. It is also because it delivers sustainable growth and productivity growth in the longer term.
- 12.2.6 The growth is sustainable because it decarbonises the electricity generation sector and other parts of the economy. For example, the growth in electric vehicles, replacing petrol and diesel vehicles, decarbonises the transport sector, provided that the electricity is generated from renewable sources.
- 12.2.7 Renewable energy delivers productivity growth (that is growth in outputs the economy can deliver with a fixed set of inputs) because operational costs are lower than for non-renewable, fossil fuel-based electricity generation.
- 12.2.8 The role that renewable energy can play in economic recovery was recognised in the June 2020 report of the Advisory Group on Economic Recovery (AGER) (Advisory Group on Economic Recovery, 2020) to the Scottish Government. The recommendations included *“prioritisation and delivery of green investments”* and *“ensure the recovery does not ‘lock-in’ greenhouse gas emissions or increased climate risk”*.
- 12.2.9 The Scottish Government’s response, the Economic Recovery Implementation Plan (Scottish Government, 2020), set out how it intends to take forward the AGER report’s recommendations. It prioritises a sustainable economic recovery that supports all parts of Scotland, while meeting its climate change targets and wider environmental objectives.
- 12.2.10 The Shetland Islands Council identifies recovery and renewal from the economic consequences of the Covid-19 pandemic as an important area of focus in its most recent Corporate Plan, Our Ambition 2021-26 (Shetland Islands Council, 2021). It also identifies responding to climate change, including the provision of affordable green electricity, which can contribute to reducing the emissions associated with other areas such as transport and heating. The Council has identified onshore wind as having the potential for economic stimulus in the short to medium term, which will be critical for recovery and renewal (Shetland Islands Council, 2020).
- 12.2.11 The Islands Growth Deal sets out the ambition of the Shetland Islands, Orkney Islands and Western Isles to be the first parts of the UK to be net zero (UK Government, 2020).
- 12.2.12 Since the Covid-19 pandemic the renewable energy sector has increased in importance and can play a pivotal role in the economic recovery and transformation.

12.3 Assessment of Residual Effects

- 12.3.1 The economic impacts of the construction, operation and decommissioning of the Proposed Development’s 2021 Layout have been estimated and assessed, using the same methodology as outlined in the 2019 EIA Report and 2020 SEI.
- 12.3.2 The starting point for estimating the likely economic activity supported by the Proposed Development was to consider the level of expected expenditure during the construction and development, and operation and maintenance and decommissioning phases, broken down into their main components. This was based on recent experience of similar developments. On this basis it was possible to make reasonable assumptions on the values of contracts that would be available.
- 12.3.3 Based on experience of comparable developments and an analysis of the structure of the Shetland and Scottish economies (that is, the presence of suppliers and employees in relevant sectors), it was

possible to make estimates of the amount of each component contract that could be secured by companies in Shetland and Scotland.

- 12.3.4 There are two sources of economic activity: the first arising from each of the component contracts and the jobs they support; the second is from anticipated spending in the relevant study areas of people employed in these contracts (the income effect).
- 12.3.5 The economic and jobs impacts, including the wider income effects were calculated from expected contract values based on published economic statistics that provide details on turnover, employment and multiplier effects for the sectors of the economy relevant to the component contracts.
- 12.3.6 This methodology is well established in estimating the expected economic impacts of onshore wind developments and is described in more detail in the 2019 EIA Report.

Construction

- 12.3.7 The capacity of the Proposed Development will depend on the turbine and what is available at the time of construction. For the purposes of the SEI, the socio-economic analysis has been based on 18 turbines with a total installed capacity of 126MW. A development of this capacity would be expected to have a capital cost of £149.7 million.
- 12.3.8 Since the 2020 SEI, Viking Wind Farm has begun construction, which is expected to further stimulate the development of Shetland's onshore wind supply chain, with the project encouraging local businesses to register interest as potential suppliers. The Applicant is committed to maximising local procurement and has a register of potential local suppliers. As a result, local companies and workers are expected to be better placed to secure contracts associated with the Proposed Development and therefore the expected share of expenditure secured in Shetland has increased to 11% (compared to 10% in the 2020 SEI).
- 12.3.9 It was estimated that the economic impact associated with this expenditure (including the direct impact and the impact of staff spending) would be £17.3 million and 152 job years in Shetland, and £55.2 million and 499 job years in Scotland.
- 12.3.10 The economic impact is marginally lower than for the 2020 Layout, though offset by a higher share of impact in Shetland. However, the magnitude of economic and employment effects in Shetland and Scotland are similar and therefore the effects have been assessed as the same as the 2020 Layout.

Operation

- 12.3.11 It was estimated that the annual economic impact associated with operation and maintenance of the Proposed Development's 2021 Layout (including the direct impact and the impact of staff spending) would be £0.4 million GVA and three jobs annually in Shetland, and £0.9 million GVA and seven jobs in Scotland.
- 12.3.12 The economic impact is marginally lower than for the 2020 Layout. However, the magnitude of economic and employment effects in Shetland and Scotland are similar and therefore the effects have been assessed as the same as the 2020 Layout.

Decommissioning

- 12.3.13 It was the estimated that the total economic impact during the decommissioning phase of the Proposed Development's 2021 Layout would be £2.2 million and 11 job years in Shetland and £4.1 million and 21 job years in Scotland.
- 12.3.14 The economic impact is marginally lower than for the 2020 Layout. However, the magnitude of economic and employment effects in Shetland and Scotland are similar and therefore the effects have been assessed as the same as the 2020 Layout.

Wider Impacts

- 12.3.15 The potential community benefits and non-domestic rates associated with the Proposed Development have been estimated using the same methodology and assumptions as in the 2020 SEI (but on the basis of a 126MW capacity):
- community benefit payments: £5,000 per MW annually to the communities of Yell, Unst and Fetlar. This would be equivalent to £0.63 million annually, and £18.9 million over 30 years;
 - non-domestic rates: whilst the rates to be paid are dependent on the assessors' valuation, based on the current guidance the annual payments are expected to be approximately £1 million annually, and £30 million over 30 years¹.
- 12.3.16 The Applicant has also committed to offering the local community the opportunity to invest in the Proposed Development through Shared Ownership.

Tourism, Recreation and Land Use

- 12.3.17 For a number of effects, such as tourism, recreation and land use, there is no any change to the assessment in the 2019 EIA Report and 2020 SEI which remains robust.

12.4 Assessment of Cumulative Effects

- 12.4.1 Since the 2020 SEI assessment was undertaken work, has commenced on the construction of the 443MW Viking Wind Farm. Ofgem, the energy regulator, has approved the 600MW High Voltage Direct Current (HVDC) interconnector between Shetland and mainland UK, with construction underway in 2021. This decision (Ofgem, 2020) was based on meeting the energy needs of the Shetland Islands, as well as supporting its electricity exporting pipeline. This includes the Proposed Development and therefore this assessment of this effect has not changed since the 2020 SEI.

12.5 Comparison of Effects

- 12.5.1 Whilst the capacity of the Proposed Development will depend on the turbine and what is available at the time of construction, for the purposes of SEI 2, the socio-economic analysis has been based on a reduced number of turbines and therefore lower expenditure than the 2020 SEI. As a result, the beneficial socio-economic impacts associated with construction and operation have decreased, though a higher share of expenditure is expected to take place in Shetland due to a developing local onshore wind supply chain. The magnitude of impact is expected to be similar and therefore conclusions on the effect of the Proposed Development on the Shetland and Scottish economies have not changed from those in the 2020 SEI.
- 12.5.2 Overall, the socio-economic, tourism and recreation effects of the Proposed Development's 2021 Layout have been assessed as being the same as in the 2020 SEI in respect of the 2020 Layout.
- 12.5.3 There has been a substantial change to the socio-economic strategic context that increases the importance of the contribution of the Proposed Development to the local and national economy. The strategy of the Scottish Government and of Shetland Islands Council in response to the economic consequences of the Covid-19 pandemic has been to focus on green jobs, including renewable energy, to deliver recovery and renewal.

¹ *The business rates calculation has been updated. The previous socio-economic assessment included an estimate of business rates that was based on the rateable value of existing wind farms. The revised assessment assumes a lower valuation since the existing wind farms qualified for Renewables Obligation support, which has the effect of increasing revenues and so increasing valuation, compared to a wind farm which does not qualify. The Renewables Obligation scheme is no longer in operation and the rates estimates have been revised accordingly. The figures provided are estimates and the actual rates paid will depend on the decisions of the assessors and future poundage rates.*

12.6 References

Advisory Group on Economic Recovery. (2020). Towards a Robust Resilient Wellbeing Economy for Scotland.

Ofgem. (2020). Shetland transmission project: Decision on Final Needs Case and Delivery Model

ONS. (2020). Annual Population Survey: July 2019-June 2020.

Scottish Government. (2020). Economic Recovery Implementation Plan.

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