

ISLANDS GROWTH DEAL JOINT COMMITTEE

Minute of Meeting held
through Microsoft Teams on
Wednesday, 27 August at
11.00am.

PRESENT	Ms Emma Macdonald, Shetland Islands Council (Chair) Mr Dennis Leask, Shetland Islands Council Mr Paul Steele, Comhairle nan Eilean Siar Ms Heather Woodbridge, Orkney Islands Council
APOLOGIES	Mr Donald Crichton, Comhairle nan Eilean Siar Mr Kristopher Leask, Orkney Islands Council
OFFICERS IN ATTENDANCE	Ms Kathlene Morrison, Islands Deal Programme Director Ms Alison MacCorquodale, Comhairle nan Eilean Siar (for item 3) Ms Anne Murray, Comhairle nan Eilean Siar Ms Charlene Macmillan, Comhairle nan Eilean Siar Ms Elaine Mackenzie, Comhairle nan Eilean Siar Mr Gareth Waterson, Orkney Islands Council Ms Inga Burton, Orkney Islands Council Mr Jan Riise, Shetland Islands Council Mr John Cunningham, Comhairle nan Eilean Siar (for item 3) Ms Kirsty Laing, Comhairle nan Eilean Siar Ms Louise Shearer, Shetland Islands Council Mr Neil Grant, Shetland Islands Council Mr Tim Langley, Comhairle nan Eilean Siar Mr Sandy Gomez, Comhairle nan Eilean Siar

MINUTE

- Minute of Meeting of 21 May 2025 1. The Minute of the Meeting of 21 May 2025 was **approved**.
- Declaration of Interest 2. There were no declarations of interest.
- Project Presentations 3. The Islands Growth Deal Programme Director submitted a Report which provided a summary overview of the Outer Hebrides Energy Hub, and the Spaceport 1 Project in relation to the Islands Growth Deal. The Report noted that the Outer Hebrides Energy Hub submitted a revised Outline Business Case for review on w/c 18 August 2025. The updated draft of the Full Business Case for Spaceport 1 will be submitted in September 2025. Both projects will imminently begin the Business Case Review process with the Scottish and UK Governments. Once this process is complete, both projects will seek support from the Islands Growth Deal Joint Committee in line with established protocols.
- The Report further noted that both projects are based within the Outer Hebrides (OH). The Outer Hebrides Energy Hub is seeking £10m Islands Growth Deal (IGD) funding to support a hydrogen production project which will be based at Arnish on the Isle of Lewis. Spaceport 1 is seeking £1m IGD funding to support the enabling infrastructure of the suborbital vertical launch facility in Scolpaig, North Uist. Representatives from both projects were invited to deliver a presentation detailing an overview of each project.
- Mr John Cunningham, Chief Planning Officer, Comhairle nan Eilean Siar delivered a presentation in relation to the Outer Hebrides Energy Hub. The presentation detailed the existing electrical network in the Outer Hebrides, and the planned development of a new 1.8GW HVDC link providing a link from the Outer Hebrides to the Scottish Mainland. It is proposed that ground works for the connection will commence in 2026 and that the connection will be operational in 2023.

The presentation noted that in addition to existing community generation, three large commercial onshore wind developments are planned on the Isle of Lewis: Drùim Leathainn Wind Farm (49.9MW); Stornoway Wind Farm (200MW); and Uisenis Wind Farm (200MW). All have been consented and contracted to the National Grid. In addition, options to lease have been secured for three commercial offshore wind assets around the Outer Hebrides: N2, Northland Power (floating, 1.5GW/ 2GW Max); N3 Magnora Offshore (floating 495MW/ 2GW max); and N4 Northland Power (bottom fixed 840MW/ 1GW Max).

Mr Cunningham noted that the Outer Hebrides has the highest fuel poverty rates in the UK. Community Energy Developments in the islands are currently unable to connect to the existing electricity network in the islands, and energy must be taken off-island, and sold to multinational providers before being bought back at significant cost. Work is ongoing through a joint venture to progress a community ownership model for a 20% stake in two onshore windfarms. It is anticipated that this could generate approx. 85MW in community owned power, with a recognition that the Outer Hebrides as a whole currently requires approx. 39MW. It was noted that community benefit could be achieved through localised energy opportunities and/or income through the sale of energy to retail/ national grid etc.

The presentation noted that Islands Growth Deal funding would be used to support innovation and infrastructure to develop an Outer Hebrides Energy Hub for green hydrogen production. The funding would be used to construct a serviced site in proximity to Stornoway/ Stornoway Wind Farm and would be developed across 2026 – 2028. The Energy Hub would initially deliver pilot initiatives in relation to hydrogen energy use within the commercial sector. Mr Cunningham noted that there is significant opportunity within existing industry in the islands to move away from traditional fossil fuels and support industry to move to green energy, and that there are opportunities to implement hydrogen in campus areas to deliver green energy into larger scale properties.

It was noted that there is scope to build the project out from 2029 – 2034 through ammonia and e-fuel developments, specifically targeting the shipping markets, including the Scottish ferry network. Longer term aspirations for the project include the development of significant ammonia production, pipeline exports, and international shipping fuelling capabilities, with the Outer Hebrides, in partnership with the Shetland and Orkney Islands as a global player in ship fuel and ammonia production.

Mr Cunningham noted that the Energy Hub seeks to put the islands in the driving seat for future fuels. The initial business case had been heavily dependent on a move for the decarbonisation of the SGN Stornoway Propene Network, but recent national moves, including notice from the Committee on Climate Change have seen a move away from hydrogen in home heating, but there remains a recognition that hydrogen will play an important part in hard to electrify sectors, particularly shipping. Mr Cunningham noted that the revised business case is no longer reliant on the conversion of the gas network in Stornoway but was now focused on industry. Positive discussions on options and opportunities are ongoing with emerging key representatives in the field, including GB Energy and the National Energy System Operator.

The revised Business Case aligns with Government policy and Hydrogen Allocation Rounds – a UK Government funding mechanism to support growth of the low-carbon hydrogen economy – objectives by: decarbonising industry; creating economic growth; enhancing UK energy security; supporting regional development; developing a competitive advantage; and laying the foundations for future growth.

The Energy Hub will: stimulate private investment; lever GB Energy and Government funding; eliminate a 100% reliance on fossil fuels; deliver significant socioeconomic benefits, including highly skilled employment in research and development; drive Scotland's hydrogen ambitions; accelerate the UK hydrogen economy; and align perfectly with Government policy.

The Chair, on behalf of the Islands Growth Deal Joint Committee thanked Mr Cunningham for what was a detailed and informative presentation.

Ms Alison MacCorquodale, Project Manager – Spaceport, Comhairle nan Eilean Siar delivered a presentation in relation to Spaceport 1. The Presentation detailed that the Comhairle had purchased Scolpaig Farm, a 276ha site in North Uist in 2019, and has delivered enabling infrastructure works to prepare the 2ha Spaceport 1 site for an operator. Ms MacCorquodale noted that the site had been developed for sub-orbital launches in recognition of the growing sector within the space industry, and that launches would be of a smaller scale and cost to orbital launches. Sub-orbital launches are used for developing space expertise, testing new technologies and microgravity, experimentation.

Ms MacCorquodale noted that an independent market assessment had been carried out which had identified significant demand, with an indication that the Spaceport will not be able to capture all demand across the sector once operational. It was noted that the International Space Station (ISS) is due to be decommissioned in 2030 and that demand for microgravity access is anticipated to be significant. Sub-orbital launches will allow for approx. 3 minutes of microgravity engagement in comparison to current standard provision of approx. 20 – 25 seconds. The site is seen as very attractive to operators in that it will be used for commercial launches only, whereby other sites across the world operate on both a military and commercial basis, with military operations a priority. The site has access to air space for launches through the MOD.

Ms MacCorquodale noted that the Scolpaig site is ideally placed to offer sub-orbital launches in terms of its location, and its proximity to the existing MOD/ QinetiQ Range in South Uist, which has the skills and expertise in place to support the site.

It was noted that the Comhairle has lead on enabling works for the site, which have now been completed to a high standard through a local contractor. Key achievements in the development of the site include facilitating the project through a comprehensive Planning process across four years, successfully progressing through Airspace Change proposals (at stage 5 of 7 and letter of agreement in place), enabling works completed at the site, including the installation of superfast broadband, and a new roads across the farm which is being utilised well by the community for leisure activities.

Ms MacCorquodale indicated that the Spaceport 1 project had been developed to support a number of benefits realisations. It is anticipated that 25 new jobs (ft and pt) will be established by year three of operations. In addition, the development has brought significant spend to the local construction/ local project development market.

The site will provide initial and ongoing training opportunities, and community development funding opportunities will be explored with the site operator.

The Spaceport 1 project is part of an overarching aspiration to make the Scolpaig Farm site a visitor destination and attraction, with increased opportunities to develop new businesses, utilise and maintain existing local services, including employment within the MOD Range Hebrides, and improve the cultural heritage, nature tourism, space tourism, and recreation within the region.

The Chair, on behalf of the Islands Growth Deal Joint Committee thanked Ms MacCorquodale for what was a detailed and informative presentation.

It was agreed to note the Presentations.

It was agreed that the public, including the press, be excluded from the Meeting during consideration of item 4 and 5 on the grounds of the amount of any expenditure proposed to be incurred by the partners under any particular contract for the acquisition of property or the supply of goods or services. Any terms proposed or to be proposed by or to partners in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

- | | | | |
|----------------------|----|---|---|
| Bi-annual Forecast | 4. | * | <p>With reference to item 4 of the Minute of the Meeting of 26 February 2025, Ms Kathlene Morrison, Islands Deal Programme Director submitted a Report which detailed the bi-annual financial forecast for the Islands Growth Deal. It was noted that the Scottish Government require submission of a bi-annual financial forecast for the Islands Deal on 28 February and 31 August of each year. This is required to include forecast claims and spend against each project for the remainder of the term of the Deal and is used to inform Grant Letters and considered as part of the Spending Review.</p> <p>Ms Morrison noted that there could be merit in revisiting the Tripartite Agreement in recognition of the anticipated underspend in funding drawdown due to delays across some projects.</p> <p>It was agreed:</p> <p>(1) to approve the Bi-annual Financial Forecast for the Islands Growth Deal; and</p> <p>(2) that the Islands Deal Programme Director would meet with the Scottish Government to explore options to revise the Islands Growth Deal Tripartite Agreement.</p> |
| Programme Reset | 5. | * | <p>With reference to item 4 of the Minute of the Meeting of 21 May 2025, Ms Kathlene Morrison, Islands Deal Programme Director provided an update in relation to the Programme Reset. Ms Morrison noted that the Scottish Government had requested some reformatting to the document, and that dates within the draft would be revised as part of the finalised draft where applicable. Work is ongoing to develop the finalised draft for the Programme Reset for submission to the Scottish Government.</p> <p>It was agreed to note the update.</p> |
| Date of Next Meeting | 6. | | <p>The Islands Growth Deal Joint Committee will next meet on Tuesday, 14 October 2025 at 11.00am. The meeting will be held through Microsoft Teams.</p> |