

Hornsea Offshore Wind Farm

Project Two

Appendix in response to SE8 Appendix U to the Response submitted for Deadline IV Application Reference: EN010053

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Appendix U: Applicant's response to SE8 – Extended response

This question asks specifically about the local employment outcomes that would occur under the medium impact scenario. To respond fully it is important to reflect upon the purpose of the use of scenarios in the assessment.

The scenario based approach seeks to reflect three main sources of uncertainty in the assessment of socio-economic effects. For both the construction and operation and maintenance phases, the main aspects of uncertainty which affect the socio-economic assessment relate to:

- Supplier location – the location of the main tier one and two suppliers and their associated supply chains and the extent to which this influences the retention of supply chain expenditure in the Local Impact Area (LIA);
- Port selection and functions – the likelihood of ports in the impact areas being selected as construction, and operational and maintenance bases and the functions they might serve; and
- Supply chain and labour market adjustment – the potential for the range and expertise of local supply chain capacity and availability of suitably skilled workers to be increased or enhanced prior to the construction or operation of the projects.

These three sources of uncertainty are interlinked and influenced by a range of factors. The first two sources of uncertainty influence the scale of opportunity that the development presents in the LIAs. The third reflects the potential for local supply chain companies and hence local people to access those opportunities.

This distinction is important: the scale of opportunity is driven by the use of local ports and the geography of the supply chain (these two are interrelated); any adjustment which occurs (and there is evidence this is occurring) in the local supply chain prior to project commencement will not of itself create local impacts but will improve the prospects for these impacts being realised.

The scenarios have been used to reflect these three sources of uncertainty. They continue to present, in the Applicant's view, a realistic range of possible outcomes which could occur.

The main assumptions underpinning the scenarios are outlined in paragraphs 11.6.7 to 11.6.74 of Volume 3, Chapter 11: Socio-economics of the ES (Doc ref No 7.3.11) and Volume 6, Annex 6.11.1: Socio-economics Methodology Information of the ES (Doc ref No 7.6.11.1).

The table below summarises how the scenarios deal with each source of uncertainty.

		Port Location and Function	Supplier Location and Retention of Supply Chain Spend	Supply Side Adjustment
Construction	Low	No local ports	Limited involvement <ul style="list-style-type: none"> • Close to port activities take place outside of local impact area • Local suppliers have no locational advantage for these activities and wider supply chain sourcing • Sourcing limited to professional services, cables and some materials 	Limited supply side adjustment assumed to take place and does not affect sourcing assumptions significantly
	Medium	Local ports used	More substantial supply chain involvement. Focused on: <ul style="list-style-type: none"> • Port related activities (storage, stevedoring, transport and charter of non-specialist vessels) • Locational advantage allows greater involvement in sub-station, cables, civil and electrical engineering 	Limited supply side adjustment assumed to take place and does not affect sourcing assumptions significantly
	High	Local ports used	Greater level of local sourcing to reflect supply side adjustment, possibly reflected in <ul style="list-style-type: none"> • Sourcing of specialist components and steel fabrication within LIA • More port based supply chain and use of local (non-specialist) vessels 	Significant level of supply side adjustment to reflect higher local investment, which is reflected in the greater potential and assumed level of local sourcing
Operation and Maintenance	Low	No local ports	Limited involvement <ul style="list-style-type: none"> • Local firms no better placed • Limited local direct employment and supply chain sourcing 	Any supply side adjustment that takes place does not affect sourcing assumptions
	Medium	O&M base in local impact area	Local O&M base <ul style="list-style-type: none"> • Used as storage and transport base • All technicians located in LIA 	Limited supply side adjustment assumed to take place and does not affect sourcing assumptions significantly
	High	O&M base in local impact area	As for medium scenario: <ul style="list-style-type: none"> • All technicians based in LIA • Greater % sourcing due to adjustment on the supply side 	Significant level of supply side adjustment to reflect higher local investment, which is reflected in the greater potential and assumed level of local sourcing

In summary (and for both the construction and operation and maintenance phases):

Low Impact Scenario:

- This reflects the likely employment impacts if local ports are not used in construction or if there is no local O&M base;
- There is a requirement in EIA methodology to present a worst case scenario. For the employment receptors in the socio-economic assessment, this is the least beneficial outcome;
- The nature of the scenario also reflects a desire on the part of the Applicant to be realistic about the potential scale of local impact when there are considerable uncertainties about the factors which would lead to a higher level of impact;
- If local ports are not used and the main tier one and tier 2 component suppliers are located outside of the LIA, the impacts in the LIA are likely to be modest and consistent with the levels set out in this scenario;
- This scenario cannot be ruled out until after a procurement process has taken place and the location of ports and key suppliers are known; and
- Any supply side adjustment taking place in the LIA would not affect the outcome under this scenario.

Medium Impact Scenario:

- This reflects the likely employment impacts if local ports are used; and
- An assumed greater amount of local supply chain sourcing given the range of close to port activities which will be taking place in the LIA and the proximity advantages that local suppliers will have.

High Impact Scenario:

- As for medium (i.e., local ports used) but also reflects the effect of supply side adjustment as new investment in the supply chain locally is reflected in a higher level of local sourcing and hence capture of impacts locally; and
- The Applicant has considered the scope to reduce the uncertainty associated with these scenarios and we comment on this below:
 - Port location and function: the likely selection of ports cannot be confirmed at this stage and will be subject to finalisation of the design and completion of procurement exercises (as outlined in Appendix I of the Applicant's response to Deadline III). There is therefore no scope to reduce the uncertainty at this stage, although DONG Energy's current use of Grimsby Royal Dock as the base for operation and maintenance facilities for the Westermost Rough wind farm puts Humberside in a fairly good position;
 - Supply chain location: this is also linked closely to ports, there is no scope to remove the uncertainty given the need for procurement; and
 - Local supply side adjustment: this is undoubtedly taking place and there are good grounds to be optimistic, demonstrated by the investment which Siemens are making at Alexandra Dock and the proposed development in port facilities in Immingham by Able Marine. Whilst this could in due course improve the provision of local port infrastructure and the supply of and parts of the associated supply chain for some key components, it is too early to judge the implications for the procurement of this project.

In light of this, the Applicant believes that it is not possible at this stage to remove any of the scenarios from the assessment or to reduce the uncertainty attached to these scenarios. Although each of the scenarios has a broadly similar probability of occurring, we recognise that the focus of this question is upon the percentage of local residents that could gain employment under the medium scenario, we consider this below.

Under the medium impact scenarios there would be a greater amount of construction and operation activity taking place within the local impact area. The ability of local residents to benefit from work activities which take place in the LIA will depend primarily upon:

- The extent to which local companies are involved in the supply chain, either supporting the continued employment of their current workforce or creating new positions which can be filled by local people; and
- The extent to which suppliers from outside of the local area need to base themselves and undertake activities locally and as a consequence need to employ local people.

The Applicant believes that it is difficult and would be potentially misleading to predict the extent to which local residents will be able to secure these local job opportunities given these factors. However, a number of factors suggest grounds to be reasonably optimistic about the potential for local people to secure employment opportunities under the medium scenario:

- Paragraph 11.6.125 to 11.6.143 of Volume 3, Chapter 11 of the ES considered the availability of local labour supply and highlighted sufficient capacity currently within the labour market locally (also highlighted in the Applicant's First Written Question response (Deadline I) to SE4, which includes the cumulative scenarios); and
- Various initiatives and measures have or are being put in place to ensure that local residents have the skills and experience to take advantage of the employment opportunities which are created locally. The Applicant's response to SE1 at Deadline I (and its response to SE9 of this Response) sets out these initiatives in more detail, covering initiatives to promote careers in the relevant sectors to school children, to deliver apprenticeship and traineeships, and higher level training.