

Hull and East Yorkshire Infrastructure Board
Investment Activity Update
Friday 8th March 2024
Report from Phil Glover, Business Development Manager
Paper B

1. Summary

1.1. This report provides a summary of investment related activity and intelligence since the last Board met.

2. Recommendations

2.1. That the Board notes the information included in this report.

3. Inward Investment - Elements driving corporate strategies in 2024

3.1. The following provides a summary of how corporate businesses are changing their approach to corporate strategies. The information has been taken from a recent NP11 briefing by *Buck Consultants International*.

3.2. **Decoupling from China** – 10% of European companies in China are shifting their investments away from the country with a further 14% considering investing elsewhere.

3.3. **De-risking supply chains** – Uncertainties and risks have been increasing over a number of years with recent examples being COVID, silicon chip shortages and shipping delays. Drivers for change come internally such as margin pressures and M&A activities, from sector dynamics such as new competitors and demands for sustainability and externally including markets shifts and regulatory changes.

3.4. **De-single sourcing** – Businesses are trying to move away from a single or limited supply base with recent natural disasters affecting Chip production facilities a good example of the increased risk.

3.5. **De-centralising production** – 41% of businesses have undertaken on shoring in major European markets over the last 3 years with 52% claiming this was due to finding a cost-effective production location and 51% stating that availability of suppliers in that country played a major role. The top 3 countries for reshoring to access a European market are Poland, the Czech Republic and Spain/Portugal.

3.6. **De-carbonising the value chain** – 88% of surveyed businesses stated that decarbonising their supply chains was being driven by their corporate strategy with 47% stating it was being driven by legislation and 46% saying that customers were driving the change.

3.7. **Relevance to HEY LEP** – whilst the UK is no longer quite as attractive as a base to access European markets, the HEY region’s proximity to mainland Europe, particularly via its Humber ports and their recent designation as a Freeport, helps provide a compelling case for investment particularly if that investment is energy intensive and is able to take advantage of the forthcoming decarbonisation initiatives. Effective and sustainable supply chains remain a key element to attracting investment and the importance of a continued focus on developing and supporting supply chain activity should not be overlooked. Equally technology and process advancements are a vital ingredient for future proofing investments, complemented by programme initiatives that support regional R&D and that upskill staff technical capabilities, all of which will be an essential part of the mix.

4. North Bank Freeport Innovation Event

4.1. Following the recent Freeport Innovation event held at the ORE Catapult in Grimsby and the positive feedback received it has been decided to host a further innovation event on the North Bank for SMEs. The event will take place at the Aura facility in Hessle on the 5th June.

5. Convention of the North

5.1. The HEY LEP, through the work of the Business Development Officer, contributed to the creation of a policy paper on trade and investment. At the time of writing this will be 1 of 4 policy areas that will be debated during the Convention to be held in Leeds from 29th Feb to the 1st March. The Convention brings together political, business, community and academic leaders to collaborate on a ‘Manifesto for the North’ to guide future work for the region.

6. NP11 Innovation cluster research

6.1. The NP11 partnership has recently commissioned Cambridge Economics to undertake research to look at the role place-based clusters can have in contributing to the GVA of the economy. Place is a central aspect of Government policy, as evident in various publications like the Innovation Strategy and the Levelling Up White Paper.

6.2. Core objectives of the NP11’s innovation programme include place-based innovation strategies and cluster development, how to optimise these in light of different Government funding streams, and to respond and drive national agendas. Clusters are attractive because of their potential to boost the innovation and productivity of places, which are believed to be crucial in smoothing out spatial inequalities. Within the research a sectorial case study has been produced for each of the 11 NPH regions. Working with the HEY LEP officers and consulting with local industry the Net Zero cluster was selected as a good representation of how innovation and synergistic collaboration between industry sectors and research establishments can drive economic change. The report highlights the galvanising role of the

Humber Industrial Cluster Plan played and how the work of the Humber Energy Board will continue to help accelerate Net Zero progress.

7. **North Powergrid Distribution Energy Futures Scenarios Planning**

7.1. Northern Powergrid (NPG) have recently undertaken their Distribution Energy Futures Scenarios (DEFS) planning. As a District Network operator NPG are responsible for powering over 3.9m homes and businesses across the North East, Yorkshire and Northern Lincolnshire. Their modelling considers 5 scenarios ranging from a best view scenario to falling short and takes into account the potential speed of decarbonisation against the level of societal change. As part of the modelling an online data visualisation system has been created allowing users to interrogate the data sets from 2022 all the way through to 2050 for varying electrical utilisation parameters. The DEFS document can be found here [DFES 2023.pdf \(northernpowergrid.com\)](#) and the online visualisation tool here [Northern Powergrid Future Energy Scenarios 2023 \(odileeds.github.io\)](#)

7.2. Examples of data extracted for the HEY region from the Northern Powergrid Future Energy scenarios visualisation tool (Data based on the best Net Zero adoption scenario.)

Electric Vehicle's (No.)	Year 2022	Year 2030	Year 2040	Year 2050
Hull	1,206	43,963	101,109	109,652
East Riding	2,980	85,029	192,227	208,265
Renewables installed (MW)	Year 2022	Year 2030	Year 2040	Year 2050
Hull	60.499	87.419	131.649	182.983
East Riding	296.319	552.085	812.965	1045.502
Energy Storage (MW)	Year 2022	Year 2030	Year 2040	Year 2050
Hull	0.42	13.097	27.599	49.058
East Riding	0.762	107.59	141.967	183.059
Industrial energy demand (MW)	Year 2022	Year 2030	Year 2040	Year 2050
Hull	767,029	739,083	689,635	655,732

East Riding	903,995	944,277	955,645	978,979
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8. **Net Zero activity**

- 8.1. Carbon Literacy training courses are being rolled out for elected members and senior officers at HCC and ERYC to ensure climate change mitigation and adaptation is included in project development and decision making. Approximately 30 members/officers will be trained from ERYC and approximately 60 members/officers will be trained from HCC. All training is expected to be completed by the end of March. This activity is being funded from the Local Capacity Support Grant from the North East and Yorkshire Net Zero Hub.
- 8.2. A project to develop an Internal Carbon Pricing and Insetting mechanism for local authorities in the HEY area and across the North East and Yorkshire is nearing the end of its initial scoping phase, due to be completed in March. Following from this, HCC have agreed to pilot the mechanism in a limited number of service areas. This project is being funded through the North East and Yorkshire Net Zero Hub Strategic Projects Pipeline.
- 8.3. Further preparatory work has taken place for the development of a Local Area Energy Plan, including engaging with key internal and external stakeholders. It is expected that a lead consultant will be appointed circa June 2024 to undertake the technical aspects of the work which is likely to take over 12 months to complete. This activity is being part funded from the Local Capacity Support Grant from the North East and Yorkshire Net Zero Hub, alongside contributions from the Climate Change budgets of HCC and ERYC.

9. **Foreign Direct Investment Key Account Management Project update**

- 9.1. Since April, 166 engagements have taken place with foreign owned companies operating in the HEY LEP region of which 17 were new engagements. The LEP remains on track to fulfil its contractual obligations.
- 9.2. Following a discussion with HM Treasury the Department for Business and Trade (DBT) has secured a further 6 months of funding to support programme delivery until the end of September with a further 6 months anticipated but not yet confirmed.
- 9.3. The current method of delivery in the HEY region is via the Local Authority economic development teams, however DBT's preferred method of delivery is for regions to employ a dedicated KAM officer with the sole remit of FDI KAM support. The HEY LEP is therefore considering re-advertising for the role that was previously vacated.

10. Financial and resource implications

None at this stage.