

The Haven Economy

An analysis of economic activity dependent
on the Milford Haven Waterway



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Key Findings

- The Milford Haven Waterway supports over 5,000 jobs in Wales as a whole, of which around 4,000 are in the local area surrounding the Haven
- The biggest contributor to jobs in the local economy is the energy sector comprising oil and gas processing and power generation
- Gas, oil and power generation activities at the Haven are strategically important for the UK's future energy security
- The Waterway is also judged to hold considerable potential for development of low carbon energy
- Confidence among the largest operators in the Haven to invest is being affected by regulation and planning issues
- The area's largest investors need support and purposeful regulation to help them compete internationally, and better engage with economic and global supply issues

Background

This summary contains the key findings of a report undertaken for Milford Haven Port by the Welsh Economy Research Unit (WERU) of Cardiff Business School. The report aims to establish the level of local and Welsh economic activity dependent on the Milford Haven Waterway, and examines the main challenges facing the industrial firms operating in the Haven.

Milford Haven is the UK's third largest port in terms of cargo volumes handled and is home to some of Wales' largest inward investors. In 2010, Milford handled 8.4% of UK port cargoes (around 43m tonnes). The great majority of this activity is connected to the energy industry. Milford Haven is Europe's largest importation port for liquefied natural gas (LNG) handled through South Hook LNG and Dragon LNG. The Port also hosts two large refineries (Valero and Murco) and Europe's largest independent tank storage depot (SemLogistics). Finally, currently being constructed within the economic area, is what will be Europe's largest and most efficient gas fired power station (RWE nPower).

Employment and Value Added

The Milford Haven Waterway is estimated to support over 3,800 full time equivalent jobs in the area surrounding the port. This is about 40% of total employment in the local economy around the port, and around 7% of all Pembrokeshire employment. A total of over 5,000 jobs in Wales as a whole are directly and indirectly supported by activity dependent on the Waterway.

By far the largest sector is energy (oil refining, gas processing and power generation), directly employing nearly 1,200 people in high-skill long-term jobs. It is estimated that the businesses and institutions dependent on the Waterway are directly associated with nearly £324m of gross value added (GVA) - around one fifth of the total GVA generated in the Pembrokeshire economy - of which over 60% is estimated to be generated in the energy sector. This can be connected to a further £88.5m of GVA in the Welsh economy, giving an overall total of £412.2m of GVA supported by activities dependent on the Haven Waterway. It is possible that over 8,000 jobs in the UK may depend on the presence of Milford Haven's energy sector.

All Welsh economy impacts associated with activity supported by the Haven

	FTE jobs		£m GVA
Direct jobs supported by the Haven	3,808	Direct GVA supported by the Haven	£323.7m
Total Welsh jobs supported by Haven	5,073	Total Welsh GVA supported by the Haven	£412.2m
<i>Of which</i>			
<i>Direct jobs supported by the energy sector at the Haven</i>	<i>1,173</i>	<i>Direct GVA supported by the energy sector at the Haven</i>	<i>£203.9m</i>
<i>Total Welsh jobs supported by the energy sector at the Haven</i>	<i>3,237</i>	<i>Total Welsh GVA supported by the energy sector at the Haven</i>	<i>£316.3m</i>

FTE = Full Time Equivalent GVA = Gross Value Added

The employment offered around the Waterway is significant, with the main firms demanding a diverse range of skills and offering relatively well paid high quality employment opportunities. The total employment supported directly by the Haven includes a large number of jobs in firms supplying the main energy complex. Indeed, while this study has focused on local and regional effects, a recent report by the UK Petroleum Industries Association (2011) highlights that every job in refining supports as many as seven jobs in the wider economy.

The hypothetical removal of the energy sector at the Haven would have major negative effects on the Pembrokeshire economy. The county features GVA per capita levels around 40% below the UK average. The energy sector in particular supports relatively high paid and highly skilled work; such high quality employment contributes strongly to the Pembrokeshire economy. The role of the Milford Haven energy complex in this regard is specifically identified in the Wales Spatial Plan (2008): "The nationally important oil and gas sector is hugely significant to the economic prosperity of the Area as a whole and particularly the towns of Milford Haven and Pembroke Dock."

Local jobs supported by the Milford Haven Waterway (2010)

Industry	FTE jobs	Share of total
Fishing, aquaculture, processing	88	2.3
Energy (oil refining, gas processing and power generation)	1 173	30.8
Metal products, tanks, and machining	386	10.1
Repair, maintenance and building of ships etc	140	3.7
Construction, machinery and equipment installation	880	23.1
Wholesale (inc. metals, fuels and equipment)	52	1.4
Road transport	12	0.3
Warehousing and storage (inc. tank storage)	104	2.7
Sea transport services	389	10.2
Tourism-facing accommodation and restaurants etc	223	5.9
Engineering and testing services	90	2.4
Other services inc sewerage	60	1.6
Public administration and health	90	2.4
Tourist attractions and nature reserve activities	123	3.2
Total	3,808	100.0

Note: employment column will not sum due to rounding up of FTE estimates for individual sectors.

Prospects for the Milford Haven energy hub

The strategic significance of the Milford Haven energy hub is increasing. There are just eight major operating refineries in the UK, two of which are in the Haven. The refining, oil storage and LNG processing and storage sectors play an important role in safeguarding UK energy security. The ability to import LNG and transport this safely through to the UK gas grid has strategic ramifications. The government Energy White Paper (2007) suggested that imports could need to meet an estimated 80% of domestic gas demand by 2020. The new LNG infrastructure represents an important diversification of supply at a time of increasing concerns about supply security.

The availability of a reliable, high-pressure supply of gas has attracted interest from a number of electricity generators. One of these, RWE nPower, is developing a 2GW gas fired power station near Pembroke. Together, South Hook LNG and Dragon LNG, the RWE nPower Pembroke Power Station and the investment made by National Grid to improve the pipeline from the Haven represent an inward investment close to £3bn over the past five years. To provide context for this investment, Wales attracted a total of £13.6bn of capital investment from overseas firms between 1984 and 2007 (23 years).

While port activity has centred on hydrocarbon processing and storage, there is every prospect of Milford Haven also playing a key role in low carbon energy. DTZ (2011) concluded that Milford Haven was among ports that “appear to have the greatest competitive advantage in exploiting the opportunities from low carbon energy sectors”.

Already, Milford Haven hosts one of the three tidal energy projects to reach proposal/planning stage in Wales. In 2005, WERU concluded that: “The growth in renewable energies coupled with the area’s environmental qualities make Pembrokeshire a potential exemplar for the pursuit of integrated and sustainable development.”

Industry concerns

The research sought the views of major companies in the Haven on the main factors affecting their future economic prospects. It found that elements of the energy complex in the Haven are vulnerable to international economic conditions on resource prices and evolving patterns of energy demands.

The consultation reveals concerns among some larger employers in the Haven over the increasing burden of environmental regulation, regulatory pressure and issues surrounding planning procedures for new developments around the Haven. This is a real area of concern, with some respondents questioning to what extent Wales is still an attractive place to invest.

International product prices, domestic demand and location-specific environmental regulations are other challenges to the future competitiveness of the Haven as an energy industry location, although developing investment sites for renewables potentially offers significant diversification opportunities.

Conclusion

The economic health of Pembrokeshire is directly related to the success and prosperity of the businesses on the Waterway. The 2005 WERU report stated that: “...considerable planning needs to take place now to ensure that the Pembrokeshire economy is less precariously balanced in the future and develops around more sustainable investment and employment.”

The Welsh Affairs Committee inquiry into Ports in Wales in 2010 suggested these facilities were underused and potentially could play a much stronger role in economic development processes. A paper in the international journal 'Maritime Policy and Management' in 2006 argued that the quality and commercial significance of port facilities has tended to be neglected by government-sponsored marketing materials, and that ports, as part of the wider freight supply chain, require strategic consideration within both the Welsh and UK Governments. In particular, land use planning should consider the requirements for port activity both in the present and future.

Given these findings and the concerns expressed by the businesses most critical to investment on the Haven in coming years, key conclusions from this report would be that the Welsh Government has an opportunity to give better attention towards supporting the Milford Haven economic area, making it easier for the market to deliver new investment, and easier to operate by addressing the ongoing regulatory burden being placed on some of the largest inward investors. Additionally, it could look at how far assistance can be targeted to support these firms who are also having to compete in international markets and are subject to global supply and demand pressures for resources.

For international firms in the Haven, the process of devolution has complicated the investment process; partly because of the increase in the numbers of departments, regulators, and third sector bodies involved, and partly with the planning and regulatory frameworks that contribute to the Country risk assessment undertaken by firms in deciding on the location for any large capital investment.

Finally, the report has identified Milford Haven as the main energy hub in Wales. Also, with the cluster of energy-related activity in the Haven, it could with the right support, increase rapidly in coming years to embrace renewables.



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